

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

DIRECT TESTIMONY OF
SCOTT J. DAVIS
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

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SUPPORTING DOCUMENTATION

Attachment 1 - Roadmap Testimony Quick Reference Guide

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DIRECT TESTIMONY
OF
SCOTT J. DAVIS

AUTOBIOGRAPHICAL SKETCH

1 My name is Scott J. Davis. I am a Strategic Planning Specialist in the Office of
2 Strategic Planning for the U.S. Postal Service. In this role, I helped coordinate the
3 *Strategic Transformation Plan: 2006-2010* and the *2005 Comprehensive Statement*
4 *on Postal Operations*. I also serve as a functional liaison to several organizations
5 including the Law Department, Government Relations, and Intelligent Mail and
6 Address Quality. At present I am transitioning from my position in Strategic Planning
7 to a position in Operations in Merrifield, Virginia. At the Postal Service, I have held a
8 variety of positions. As an economist in Finance, I developed cost studies and
9 testified in the R2000-1 omnibus rate case. As a business evaluation analyst in
10 Technology, I evaluated business proposals and plans for eBusiness initiatives. As a
11 program manager in Information Technology, I developed and managed online
12 training and finance programs. Prior to joining the Postal Service, I worked as a staff
13 accountant at Reston Hospital Center and interned at Freddie Mac.

14 I received a BA in Economics from Duke University in 1993, an MBA from the
15 College of William and Mary in 1998, and a certificate in Technology Leadership
16 from the University of Virginia in 2003. I also graduated from the Postal Service's
17 Advanced Leadership Program in 2003.

1 **PURPOSE AND SCOPE OF TESTIMONY**

2 The Postal Service Request seeks a recommended decision from the Postal Rate
3 Commission on proposed changes in rates, fees, and classifications.

4 The purpose of this testimony is to provide an overview of the filing, in accordance
5 with the requirements of Rule 53(b) of the Commission's Rules of Practice and
6 Procedure. Specifically, I identify the subject matter of each witness's testimony,
7 explain how the testimonies of all witnesses interrelate, and describe changes in
8 cost methodology, volume estimation, or rate design, as compared to the manner in
9 which they were calculated by the Commission to develop recommended rates and
10 fees in the most recent general rate proceeding. I also identify, with reference to
11 appropriate testimony, each witness responsible for addressing any material
12 methodological change.

13 Similar to the R2005-1 roadmap testimony of witness Alenier, my testimony consists
14 of four sections. Section 1 describes how to use the roadmap testimony to navigate
15 the rate case. Section 2 provides a generic discussion of functional areas and data
16 flows. Section 3 describes each witness's testimony and the interrelationships
17 among testimonies within the context of functional areas. Section 4 describes for
18 each witness changes in methodology since the last omnibus rate case.
19 Attachments 1 and 2 contain a "Quick Reference Guide" and "Functional Data
20 Flows," respectively.

**Section 1: USING THE ROADMAP TESTIMONY TO NAVIGATE THE
POSTAL RATE CASE FILING**

The “Roadmap Quick Reference Guide,” included as Attachment 1 to this testimony, provides an easy way to navigate the Postal Service’s direct case. The Guide summarizes test year volumes, costs, revenues, cost coverages, and percent rate changes by subclass. It lists the major tables and charts presented in the Request and provides tables which list postal testimony by witness name, by witness number, and by function. Attachment 2 provides a generalized flow diagram of the overall process.

Section 2: GENERIC DISCUSSION OF POSTAL RATE FILINGS

The structure of the Postal Service’s direct case in an omnibus proceeding, and the interrelationships among testimonies, are primarily a function of the necessary components. While the number of testimonies and witness identities may vary among cases, the core components tend to be quite stable over time.

Functional components in rough order of their sequence in testimony numbers are:

- Data Systems
- Revenue Requirement
- Volumes
- Base Year Costs
- Roll-Forward
- Attributable Cost Studies
- Special Studies
- Rate Policy
- Rate Design
- Operations

1 The foundation of any omnibus case is recent financial and operating information.
2 This information is a necessary component of any large business. Accounting
3 information, for example, would exist regardless of the need for an omnibus rate
4 case filing. Data systems witnesses, however, describe systems that augment basic
5 business information to provide necessary inputs for the rate case.

6 Descriptions of these data collection systems constitute the first subset of rate case
7 testimonies, that of the data systems witnesses. The purpose of these testimonies
8 is to explain the design and operation of the data systems that provide the
9 informational foundation of a rate case filing. These systems include both
10 revenue/volume and cost measurement. Any changes in data collection or
11 estimation methodology since the last omnibus rate case will be described in these
12 testimonies.

13 These systems augment accounting and related information to produce the Cost &
14 Revenue Analysis, or CRA. The CRA provides cost, revenue and volume
15 information for the most recent fiscal year, FY 2005, in total and by mail category.

16 The development of this document, and its supporting segments and components, is
17 described in detail in the Summary Description of USPS Development of Cost by
18 Segment and Component, FY 2005, filed as USPS-LR-L-1. Generally, the analytical
19 underpinning of these documents can be determined by reference to the most recent
20 omnibus rate case. The incremental cost witness develops incremental costs
21 displayed in the CRA.

1 The next group of witnesses, who rely on the inputs to this point, are the costing
2 witnesses. Most of the CRA costing witnesses present testimony regarding analysis
3 of a particular cost segment or group of related segments. These analyses
4 generally modify the fiscal year information described in the fiscal year CRA. The
5 results for those cost segments which are the subjects of testimony are provided to a
6 base year CRA costing witness. The testimony and workpapers of the base year
7 witness show base year costs for all cost segments and the distribution of the
8 volume-variable portion of those costs to subclasses and special services. In other
9 words, base year costs are generally fiscal year costs adjusted by new studies. In
10 this case, however, the results of all the new studies were incorporated into the fiscal
11 year CRA, and thus there are no differences between the fiscal year and base year
12 CRAs.

13 The next step in the ratemaking process is to project from historical data into a future
14 period, known as the test year, chosen for purposes of comparing expected
15 revenues and costs. Critical to this process is the ability to forecast mail volumes,
16 which is the province of the volumes witnesses. The volume forecasting witnesses
17 examine historical information to determine the factors which best explain past
18 trends in mail volumes for each subclass, and then use that demand analysis
19 research as the basis for forecasting trends in mail volumes between the base year
20 and the test year. Volume witnesses also provide information that assists in the
21 determination of the difference in revenues and costs between “before” and “after”

1 rates. Finally, a portion of the results of the demand analysis (e.g., price elasticities
2 of demand) play a role in the pricing process. Since volume levels affect both costs
3 and revenues, the volume forecasts provide important inputs for a wide variety of
4 downstream witnesses.

5 The revenue requirement witness presents a host of financial and accounting
6 information that will be incorporated into the projection of test year expenses. This
7 witness provides information on a number of discrete elements that affect test year
8 estimates. Cost level changes, both personnel and non-personnel, have a major
9 impact. Mail volume projections, of course, affect revenue and expense forecasts.
10 Non-volume workload, such as changes in city carrier deliveries, is a factor. Other
11 factors are changes in workday components, cost reduction programs, other
12 programs, corporatewide activities (e.g., Headquarters staff), servicewide costs (for
13 example, annuitant health benefits), workyear mix adjustments (such as proportions
14 of overtime) and final adjustments (like Negotiated Service Agreement effects).

15 The revenue requirement witness works very closely with the rollforward witness.
16 The rollforward witness uses volume forecasting and revenue requirement inputs, to
17 roll historical base year expenses forward to projected test year expenses. The
18 rollforward witness presents test year costs by subclass of mail and special service.
19 The rollforward witness presents both before-rates and after-rates versions of test
20 year costs.

1 The before-rates costs, provided in the rollforward witness testimony, are relied upon
2 by rate level, special study and rate design witnesses. For incremental costs, the
3 incremental cost witness applies an analysis comparable to the rollforward exercise
4 to base year incremental costs, thereby producing test year estimates of incremental
5 costs for each subclass and service. Another category of witness contributing to the
6 revenue requirement and rollforward efforts are the operations witnesses, who
7 describe changes in the operating environment, including new equipment and new
8 programs, which are expected to have an effect on test year expenses.

9 Once before-rates test year revenues, volumes and costs are produced, the
10 magnitude of the revenue shortfall is passed to the rate policy witness, sometimes
11 also referred to as the rate level witness. This witness, along with others in the rate
12 design process, establish rates to conform with §3622(b) of title 39.

13 The pricing process normally has two major steps. The first step is performed by the
14 rate policy witness. This witness examines each subclass and service, and, in light
15 of the total pool of institutional costs and the magnitude of the systemwide
16 percentage rate increase required, determines what share of the institutional cost
17 burden seems most appropriate for that product when balanced against the subclass
18 percentage rate increase necessary to achieve it. The outputs of this analysis are
19 target cost coverages for each subclass and service.

20 In the second step of the pricing process, the target cost coverages are passed onto
21 the rate design witnesses, whose responsibility is then to design rates which meet

1 assigned targets. The subclass targets are met by blending different rate changes
2 for various rate categories, workshare discounts, and rate elements within the
3 subclass. In order to effectively do this, rate design witnesses rely on special
4 studies. The special study witnesses provide analyses of costing issues below the
5 subclass level. For example, within a subclass, the CRA does not identify the
6 amount of costs avoided by particular kinds of mailer worksharing. Since such
7 avoided cost information is necessary for rate design witnesses to propose
8 appropriate workshare discounts within subclasses, special study witnesses conduct
9 analyses to provide that type of information, and present the results in their
10 testimonies.

11 In addition to proposing specific rates, rate design witnesses also present and
12 explain any proposed classification changes, and incorporate such classification
13 changes into their proposed rate design.

14 In summary, data systems augment accounting information to produce a fiscal year.
15 Cost studies modify that fiscal year to establish a base year. Forecasts of various
16 types, gathered by the revenue requirement witness, are passed to the roll-forward
17 witness, who produces an initial test year. The rate level witness uses that
18 information to guide the rate design witnesses, who also may rely on special studies
19 to design rates. The rate design results are used to create Test Year After Rates to
20 yield appropriate revenues and costs. See Appendix 1, "Roadmap Quick Reference
21 Guide."

1 **Section 3: OVERVIEW, PURPOSE, INTERRELATIONSHIPS OF TESTIMONY**

2 **I. Purpose of Omnibus Rate Case**

3 The Postal Service Request in Docket No. R2006-1 seeks a recommended decision
4 on proposed changes in rates of postage and fees. As explained by witness
5 Loutsch, the Postal Service projects that, at existing rates, it will incur a net revenue
6 deficiency of \$ 5.874 billion in fiscal year 2008, the proposed test year (USPS-T-6).

7 To eliminate that projected deficiency, the Postal Service is requesting an increase
8 in rates and fees sufficient to generate additional revenues of \$ 3.983 billion. Exhibit
9 USPS-6A shows that if our proposals are implemented, test year revenue deficiency
10 would be \$ 0.8 million. The rate and fee proposals entail a systemwide average
11 increase of 8.5 percent. To support its proposals, the Postal Service has submitted
12 the testimony and exhibits of 41 witnesses, encompassing 47 testimonies, and 133
13 library references.

14 The remainder of this section identifies, for each functional area, respective
15 testimonies and their interrelationships with other testimonies. Included as
16 Attachment 2 to this roadmap testimony is a spreadsheet flowchart showing data
17 flows among functional areas.

II. Data Systems

The Postal Service's revenue and cost accounting systems are not generally designed to meet the requirements for rate cases. As a result, the Postal Service operates a number of revenue and cost systems that augment accounting information to produce mail category information necessary to meet the requirements of rate and classification cases.

One category of systems begins with accounting information and applies estimation procedures to produce revenue, piece and weight information by mail category.

Witness Pafford, in USPS T-3, provides an explanation of these systems.

Accounting information provides a foundation for his work. There are a variety of systems and subsystems that develop Revenue, Pieces and Weight information, as well as ODIS information.

Witnesses Utilizing Data Systems (ODIS/RPW) Data Testimony
USPS-T-3

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ RPW, ODIS and Billing Determinant Data
Milanovic	USPS-T-9	▪ RPW/ODIS Data
Smith	USPS-T-13	▪ ODIS volumes by shape for Standard regular
Loetscher	USPS-T-28	▪ RPW Data
Kaneer	USPS-T-41	▪ PO Box RPW data

A second category of data systems measures costs. Witness Czigler (IOCS), witness Hunter (TRACS) and witnesses Harahush and Riddle (CCS) describe these

systems. The In-Office Cost System estimates labor costs by activity and mail category for employees in most postal facilities. Many indirect, or piggyback costs, also depend on IOCS results. The Transportation Cost System estimates capacity utilization for certain transport modes and proportions of mail by category for a variety of modes. Piggybacks on this data are very limited. The Carrier Cost System has two components, the Rural Carrier Cost System and the City Carrier Cost System. In each case estimated proportions of mail by category assist in the distribution of attributable and certain incremental costs. Other costs are piggybacked on these results.

Witnesses Utilizing IOCS Data Testimony
USPS-T-1

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ IOCS data
Van-Ty-Smith	USPS-T-11	▪ Labor Cost Pool Information
Smith	USPS-T-13	▪ Labor cost by equipment type
Page	USPS-T-23	▪ Labor cost information
Kelley	USPS-T-30	▪ Carrier labor cost information
Bozzo	USPS-T-46	▪ IOCS data

Witnesses Utilizing TRACS Data Testimony
USPS-T-2

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ Transportation Cost data
Kelley	USPS-T-15	▪ Transportation Cost data

Witnesses Utilizing CCS Data Testimony
USPS-T-4 and USPS-T-5

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ City and Rural Carrier Street Data

Stevens	USPS-T-19	▪ Rural Carrier Street Data & Sample Files
Kelley	USPS-T-30	▪ City and Rural Carrier Data

Witness Bozzo, USPS-T-46, describes the design process for the In-Office Cost System (IOCS) data collection instrument implemented at the start of FY 2005.

Input for IOCS Redesign
USPS-T-46

Witness	Witness Number	Data/Information Provided
Czigler	USPS-T-1	▪ IOCS data
Van-Ty-Smith	USPS-T-11	▪ BY05 mail processing costs by cost pool and subclass

Overall, these elements provide the necessary inputs to create the FY 2005 Cost & Revenue Analysis, or CRA.

III. Cost Studies

Cost studies modify previous approaches to create the base year (2005). Cost studies cover a variety of functional areas: mail processing (witnesses Van-Ty-Smith, USPS-T-11 and Bozzo, USPS-T-12), facility costs for mail processing (witness Smith, USPS-T-13), carrier/transportation costs (witness Bradley, USPS-T-14), transportation costs (witness Kelley, USPS-T-15), Priority transportation distance costs (witness Nash, USPS-T-16), window costing (witness Bradley, USPS-T-17), incremental costs (witness Pifer, USPS-T-18), and rural carrier costs (witness Stevens, USPS-T-19).

Updates to mail processing variabilities and to the subclass distribution of volume-variable mail processing labor costs, affecting cost segment 3, Mail Processing, are presented by witnesses Van-Ty-Smith (USPS-T-11) and Bozzo (USPS-T-12).

The purpose of witness Van-Ty-Smith's testimony (USPS-T-11) is to document the procedures by which the Postal Service proposes to create cost pools for mail processing operations, and to distribute such costs to mail classes, subclasses and rate categories. She also documents additional analyses of IOCS data that were the sources of inputs for the Base Year CRA or for other cost studies. The mail processing volume-variable costs by cost pool are provided in USPS LR-L-55.

Input for Mail Processing Costs
USPS-T-11

Witness	Witness Number	Data/Information Provided
Czigler	USPS-T-1	▪ Labor Cost Pool Information
Loutsch	USPS-T-6	▪ Productive hourly rates for the Base Year and Test Year in USPS-LR-L-50
Bozzo	USPS-T-12	▪ Econometric volume-variability factors

Witnesses Utilizing Mail Processing Costs Study Results
USPS-T-11

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ CRA-level volume-variable costs
Waterbury	USPS-T-10	▪ Selected volume variabilities and distribution keys
Smith	USPS-T-13	▪ Volume-variable costs by shape for selected classes of mail
Pifer	USPS-T-18	▪ Volume-variable costs by cost pool in USPS-LR-L-55
Miller	USPS-T-20	▪ Volume-variable costs in USPS-LR-L-55
Miller	USPS-T-21	▪ Volume-variable costs in USPS-LR-L-55
Abdirahman	USPS-T-22	▪ Volume-variable costs in USPS-LR- L-55
Page	USPS-T-23	▪ Volume-variable costs in USPS-LR- L-55

Mayes	USPS-T-25	▪ Volume-variable costs in USPS-LR- L-55
Cutting	USPS-T-26	▪ Volume-variable costs in USPS-LR- L-55
Talmo	USPS-T-27	▪ Volume-variable costs in USPS-LR- L-55
Bozzo	USPS-T-46	▪ BY05 mail processing costs by cost pool and subclass

1

2 Within cost segment 3 (Clerks and Mailhandlers), witness Bozzo (USPS T-12)

3 estimates variability levels for the labor costs incurred in most mail distribution

4 operations on the basis of econometric regressions. His variabilities are applied by

5 witness Van-Ty Smith, and the resulting costs are inputs to the B workpapers of

6 witness Milanovic in USPS LR-L-57, which describe the development of the

7 Segment 3 inputs to the base year CRA and roll forward model. The Postal

8 Service's proposed attribution of mail processing costs to subclasses is presented in

9 USPS LR-L-55.

10

Witnesses Utilizing Mail Processing Econometric Study Results

11

USPS-T-12

Witness	Witness Number	Data/Information Provided
Van-Ty-Smith	USPS-T-11	▪ Econometric volume-variability factors
Miller	USPS-T-20 & USPS-T-21	▪ MODS productivity data
Abdirahman	USPS-T-22	▪ MODS productivity data

12

13 Witness Smith (USPS-T-13) provides the methodology and inputs necessary to

14 determine the volume variable equipment and facility-related costs by subclass for

15 the Base Year in cost segments 11, 15, 16 and 20. Also, he provides piggyback

16 factors which are used to incorporate indirect costs into the cost avoidance

17 estimates that support worksharing discounts (as well as to compute final

adjustments). Another contribution of his testimony is the calculation of labor and indirect mail processing unit costs by shape, by cost pool.

Witnesses Providing Input to Mail Processing Cost and Facility Testimony
USPS-T-13

Witness	Witness Number	Data/Information Provided
Czigler	USPS-T-1	▪ Labor cost by equipment type
Pafford	USPS-T-3	▪ ODIS volumes by shape for Standard regular
Loutsch	USPS-T-6	▪ Projected growth for facility space, depreciation and cost levels
Thress	USPS-T-7	▪ Volume forecasts
Milanovic	USPS-T-9	▪ Base Year costs
Waterbury	USPS-T-10	▪ Test Year costs
Van-Ty-Smith	USPS-T-11	▪ Labor costs by shape and cost pool ▪ Premium pay factors ▪ Crosswalk calculations
Bradley	USPS-T-17	▪ Window Service Costs
Page	USPS-T-23	▪ Caller Service Costs
Loetscher	USPS-T-28	▪ Volumes by shape

Witnesses Utilizing Mail Processing, Facility Study Information
USPS-T-13

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Final adjustment piggyback factors
Milanovic	USPS-T-9	▪ Facility and equipment cost information
Waterbury	USPS-T-10	▪ Distribution of Cost Reductions ▪ Equipment and facility cost information
Pifer	USPS-T-18	▪ Equipment & space-related cost pools & piggyback ratios for final adjustments
Miller	USPS-T-20 USPS-T-21	▪ Piggyback factors and mail processing ▪ Shape and cost pool information
Abdirahman	USPS-T-22	▪ Piggyback factors and mail processing ▪ Shape and cost pool information
Page	USPS-T-23	▪ Piggyback factors and mail processing ▪ Shape and cost pool information

Mayes	USPS-T-25	▪ Piggyback factors
Cutting	USPS-T-26	▪ Piggyback factors
Talmo	USPS-T-27	▪ Piggyback factors and mail processing shape and cost pool information
Kelley	USPS-T-30	▪ Mail processing and piggyback information in USPS-LR-L-52 and USPS-LR-L-53, respectively ▪ Parcel adjustment information
Taufique	USPS-T-32	▪ Mail Processing Costs by Shape in USPS-LR-L-53
Kaneer	USPS-T-41	▪ Caller Service costs

1

2 Witness Bradley (USPS-T-14) presents and reviews the costing issues associated
3 with calculating product costs in the Postal Service's air transportation networks. In
4 addition, he provides the reason the Postal Service could not revise its treatment of
5 city carrier costs for this docket.

6

Witnesses Providing Input for Carrier Study / Transportation
USPS-T-14

7

Witness	Witness Number	Data/Information Provided
Pajunas	USPS-T-45	▪ Description of USPS air networks

8

9

10

Witnesses Utilizing Carrier Study / Transportation
USPS-T-14

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ Carrier Cost Study and transportation inputs

11

12 Witness Kelley (USPS-T-15) describes methodologies used in the following
13 transportation costing areas: FedEx DayTurn variability model, calculation of
14 distance-related transportation costs, calculation of Alaska highway costs, and the
15 Alaska Air adjustment.

Witnesses Providing Input for Transportation Costs
USPS-T-15

Witness	Witness Number	Data/Information Provided
Hunter	USPS-T-2	▪ Transportation Cost data
Milanovic	USPS-T-9	▪ USPS-LR-L-5 – CRA Workpapers
Pajunas	USPS-T-45	▪ Transportation Costing

Witnesses Utilizing Transportation Costs
USPS-T-15

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ FedEx DayTurn Variability ▪ Alaska Highway Costs – USPS-LR-L-40
Waterbury	USPS-T-10	▪ Alaska Highway Costs USPS-LR-L-40
Scherer	USPS-T-33	▪ Distance Related Transportation Costs USPS-LR-L-39
Berkeley	USPS-T-34	▪ Distance Related Transportation Costs USPS-LR-L-39
Tang	USPS-T-35	▪ Distance Related Transportation Costs USPS-LR-L-39

Witness Nash (USPS-T-16) provides information related to transportation costs.

There are three subjects discussed in his testimony. First, witness Nash updates the methodology and calculation of the weight distribution and average haul by zone for Priority Mail moved on air transportation. The calculated weight distribution and average haul by zone are provided to witness Scherer (USPS-T-33) to distribute distance and non-distance related transportation costs. Second, witness Nash estimates the share of highway Priority Mail that interconnects with Air transportation. The estimated percentage is provided to witness Scherer (USPS-T-33) to adjust distance related transportation cost across zones. Third, witness Nash calculates the Intra-SCF Priority Mail Percentage in Zone 1. The calculated percentage is provided to witness Scherer (USPS-T-33) to adjust distance related highway transportation cost in zone 1.

Witnesses Utilizing Priority Transportation Distance Costs
USPS-T-16

Witness	Witness Number	Data/Information Provided
Scherer	USPS-T-33	<ul style="list-style-type: none"> Priority Mail weight and average haul by zone Percentage of Priority Mail highway pound-mile in connection with air travel Percentage of intra-SCF Priority Mail weight in zone 1

In his second R2006-1 testimony, witness Bradley (USPS-T-17) discusses the analytical basis for calculating window service costs and presents an update to the computational algorithm for window service. The purpose of this testimony is to update and refine the established methodology for calculating transaction time variabilities. He also produces new variabilities based upon an updated transaction time study.

Input for Window Costing Testimony
USPS-T-17

Witness	Witness Number	Data/Information Provided
Nieto	USPS-T-24	<ul style="list-style-type: none"> Transaction Time Study data set

Witnesses Utilizing Window Costing Testimony
USPS-T-17

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	<ul style="list-style-type: none"> Window service variability information
Smith	USPS-T-13	<ul style="list-style-type: none"> Window Service Costs

Witness Pifer (USPS-T-18) addresses incremental costs. His testimony presents incremental cost estimates for base year 2005 and test year 2008. Incremental costs are developed for each subclass and special service, as well as groups of

subclasses. The procedures used to calculate incremental costs are the same as those used in Docket No. R2005-1 to calculate base year 2004 incremental costs.

Input for Incremental Costs Testimony
USPS-T-18

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Milanovic	USPS-T-9	▪ FY05 Base Year Costs ▪ Product Specific Cost Inputs
Waterbury	USPS-T-10	▪ Test Year costs & Roll-forward model inputs
Van-Ty-Smith	USPS-T-11	▪ Volume-variable costs by cost pool in USPS-LR-L-55
Smith	USPS-T-13	▪ Equipment & space-related cost pools & piggyback ratios for final adjustments
Page	USPS-T-23	▪ Test year final adjustment detail

Witnesses Utilizing Incremental Costs Testimony
USPS-T-18

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Non-volume workload weighting
O'Hara	USPS-T-31	▪ Incremental cost estimates
Taufique	USPS-T-32	▪ Incremental cost estimates
Berkeley	USPS-T-34 & 39	▪ Incremental cost estimates
Tang	USPS-T-35	▪ Incremental cost estimates
Mitchum	USPS-T-40	▪ Incremental cost estimates

Witness Stevens (USPS-T-19) details the studies of rural carrier costs. He sponsors library reference number USPS-LR-L-70. This library reference provides the rural carrier costing methodology in support of the base year witness Milanovic, USPS-T-9. The library reference also provides the data from the rural mail count that are used as an input to calculate the volume variability of rural carrier costs. Witness Stevens also calculates an estimate of the ratio of boxes time to miles time used by witness Loutsch.

Witnesses Providing Inputs to Rural Carrier Costs Testimony
USPS-T-19

Witness	Witness Number	Data/Information Provided
Riddle	USPS-T-5	▪ Rural Carrier Street Data & Sample Files
Loutsch	USPS-T-6	▪ Productive hourly wage rates

Witnesses Utilizing Rural Carrier Costs Testimony
USPS-T-19

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	▪ Rural Carrier cost inputs

IV. Base Year

Witness Milanovic (USPS-T-9) presents the development of Base Year 2005 costs. A number of changes in the treatment of costs are introduced in this proceeding, resulting in differences between the Base Year 2004 Cost and Revenue Analysis (CRA) and Base Year 2005 costs. His testimony and related workpapers provide a brief overview of these changes and report their results. However, a more thorough treatment of these changes is addressed in the testimony of other witnesses.

Witnesses Providing Input for the Base Year Testimony
USPS-T-9

Witness	Witness Number	Data/Information Provided
Czigler	USPS-T-1	▪ IOCS data
Hunter	USPS-T-2	▪ Transportation Cost data
Pafford	USPS-T-3	▪ RPW/ODIS Data
Harahush	USPS-T-4	▪ City Carrier Street Data
Riddle	USPS-T-5	▪ Rural Carrier Street Data
Van-Ty-Smith	USPS-T-11	▪ Mail processing costs
Smith	USPS-T-13	▪ Facility and Equipment inputs

Bradley	USPS-T-14	▪ Carrier Cost Study and transportation inputs
Kelley	USPS-T-15	▪ Transportation costs
Bradley	USPS-T-17	▪ Window Service variability information
Stevens	USPS-T-19	▪ Rural Carrier cost inputs

Witnesses Utilizing Base Year Testimony
USPS-T-9

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Reallocated Trial Balance account reallocations to cost component
Waterbury	USPS-T-10	▪ Base Year information
Smith	USPS-T-13	▪ Base Year information
Kelley	USPS-T-15	▪ Cost segment and component information in USPS-LR-L-5
Pifer	USPS-T-18	▪ Base Year costs in USPS-LR-L-4 ▪ Product Specific costs in USPS-LR-L-57
Miller	USPS-T-21	▪ Base Year cost data in USPS-LR-L-5
Page	USPS-T-23	▪ Base Year costs in USPS LR-L-4 and USPS-LR-L-5
Mayes	USPS-T-25	▪ Base year transportation costs in USPS-LR-L-5
Talmo	USPS-T-27	▪ Base year CRA costs in USPS-LR-L-5
Kelley	USPS-T-30	▪ Cost segment and component information in USPS-LR-L-5

Witness Pifer (USPS-T-19) develops incremental costs for Fiscal Year 2005, the base year and the test year. There is no PRC version of Incremental Costs.

V. Volume Forecasts

Witness Thress's (USPS-T-7) testimony models the demand for domestic mail volume, identifies and quantifies factors that affect mail volumes, and projects these factors through the Test Year for the purposes of developing a set of volume forecasts. The work presented in his testimony is closely connected to and is best read in concert with the testimony of witness Bernstein (USPS-T-8).

Witness Bernstein's (USPS-T-8) testimony discusses recent declines in First-Class mail volumes. To aid in this discussion, several data sources are examined, including postal volumes, demographic information, and materials presented in the annual Household Diary Studies.

Witness Providing Input to Volume Testimony
USPS-T-7

Witness	Witness Number	Data/Information Provided
Pafford	USPS-T-3	▪ RPW, ODIS and Billing Determinant data

Witnesses Utilizing Output from Volume Testimony
USPS-T-7

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Volume forecasts
Bernstein	USPS-T-8	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Volume forecasts
Smith	USPS-T-13	▪ Volume forecasts
Pifer	USPS-T-18	▪ Volume forecasts
Page	USPS-T-23	▪ Volume forecasts
Mayes	USPS-T-25	▪ Volume forecasts
Cutting	USPS-T-26	▪ Volume forecasts
O'Hara	USPS-T-31	▪ Volume forecasts
Taufique	USPS-T-32	▪ Volume forecasts
Scherer	USPS-T-33	▪ Volume forecasts

Berkeley	USPS-T-34	▪ Volume forecasts
Tang	USPS-T-35	▪ Volume forecasts
Kiefer	USPS-T-36	▪ Volume forecasts
	USPS-T-37	▪ Volume forecasts
Yeh	USPS-T-38	▪ Volume forecasts
Berkeley	USPS-T-39	▪ Volume forecasts
Mitchum	USPS-T-40	▪ Volume forecasts

Witness Providing Input to Volume Testimony
USPS-T-8

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts

VI. Operations

Witnesses McCrery, Hintenach, Coombs, and Pajunas present testimony relating to postal operations. Witness McCrery (USPS-T-42) provides operational support for various elements of the Postal Service's proposals. He provides an overview of the Postal Service's processing operations for the current environment, the test year, and beyond. He discusses the relationship between long term volume changes and workhour changes in support of witness Bozzo's (USPS-T-12) calculation of volume variabilities. He also sponsors Cost Reduction Program information, detailing the programs and initiatives that are expected to produce operational savings through the test year.

Witnesses Utilizing Operations Testimony
USPS-T-42

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Cost reduction program workhour savings and program costs included in USPS Library Reference L-49, Exhibit A,B, E, and F

Abdirahman	USPS-T-22	▪ RCR finalization rate and Remote Bar Code System (RBCS) leakage factor
O'Hara	USPS-T-31	▪ Current and planned TY operating environment

1

2 Witness Hintenach (USPS-T-43) provides background operational information in
3 support of the Postal Service on the post office retail operations since the 1980's to
4 present. This testimony describes how retail operations have changed since the
5 1980's, including technological advancements such as the introduction of Automated
6 Postal Centers.

7

8 Witness Coombs (USPS-T-44) provides operational support regarding carriers for
9 various elements of the Postal Service's proposals in this docket. The testimony
10 describes how delivery processes will be impacted by the operational changes that
11 are currently expected to occur once Flat Sequencing Systems (FSS) is
12 implemented. She begins with a discussion on how these changes are expected to
13 impact delivery operations in the office and on the street. She also discusses the
14 operational effects of FSS on delivery unit workspaces and how savings from FSS
15 are expected to be realized.

16

17 Witness Pajunas (USPS-T-45) provides information relative to the FedEx
18 transportation agreement that witness Bradley (USPS-T-14) relies upon in his
19 presentation and review of costing issues associated with calculating product costs
20 for those products transported in the Postal Service's air transportation networks,
21 and which witness Kelley (USPS-T-15) utilizes in that costing.

Witnesses Utilizing Operations Testimony
USPS-T-45

Witness	Witness Number	Data/Information Provided
Bradley	USPS-T-14	▪ Information relative to the FedEx transportation agreement
Kelley	USPS-T-15	▪ Transportation Costing

VII. Roll Forward

Witness Waterbury (USPS-T-10) presents the rollforward. She projects total accrued costs, and volume variable costs by subclass and service, at current rates for FY 2006 (first interim year) and FY 2007 (second interim year), and at current and proposed rates for Test Year 2008. In USPS-T-18, witness Pifer provides incremental costs by subclass Test Year 2008, both before- and after-rates.

Future-year costs are estimated by the rollforward model using the following process. Test year estimates of volume variable costs are developed by adjusting base year volume variable costs for the effects of (a) changes in cost level, (b) changes in volumes by category of mail or service, (c) changes in nonvolume workload, (d) cost reductions, and (e) other programs, between the base year and the test year. Test year estimates of costs which are not influenced by changes in volume are developed by adjusting base year costs for the effects of (a) changes in cost level, (b) changes in the number of workdays, (c) cost reductions, and (d) other programs, from the base year to the test year. The total of the aforementioned changes is adjusted for the impact of the workyear mix adjustment. The workyear

- 1 mix adjustment reflects the anticipated shifts in workload due to automation, and
- 2 refined scheduling and hiring practices.

3 Inputs to Rollforward Testimony
4 USPS-T-10

Witness	Witness Number	Library References	Data/Information Provided
Loutsch	USPS-T-6	USPS-LR-L-50 USPS-LR-L-49	<ul style="list-style-type: none"> ▪ Roll Forward Expense Factors ▪ Contingency Factor ▪ Cost Reductions and Other Programs
Thress	USPS-T-7	USPS-LR-L-66	<ul style="list-style-type: none"> ▪ Volume Forecasts
Milanovic	USPS-T-9	USPS-LR-L-4	<ul style="list-style-type: none"> ▪ Base Year Costs ▪ Base Year Distribution Keys
Van-Ty-Smith	USPS-T-11	USPS-LR-L-55	<ul style="list-style-type: none"> ▪ Mail Processing Distribution Keys ▪ Mail Processing Variability Factors
Smith	USPS-T-13	USPS-LR-L-54 USPS-LR-L-22	<ul style="list-style-type: none"> ▪ Equipment and Facility Factors ▪ Programs Distribution Keys ▪ Programs Variability Factors
Kelley	USPS-T-15	Not Applicable	<ul style="list-style-type: none"> ▪ Alaska Air Adjustment Factors
Page	USPS-T-23	USPS-LR-L-59	<ul style="list-style-type: none"> ▪ Final Adjustments

5 Witnesses Utilizing Rollforward Testimony
6 USPS-T-10
7

Witness	Witness Number	Library References	Product
Loutsch	USPS-T-6	USPS-LR-L-50	<ul style="list-style-type: none"> ▪ Workyear Mix Adjustment ▪ Interest on Debt ▪ Profit & Loss (P & L)
Smith	USPS-T-13	USPS-LR-L-52 USPS-LR-L-53	<ul style="list-style-type: none"> ▪ Piggybacks ▪ Cost by Shape
Pifer	USPS-T-18	USPS-LR-L-72	<ul style="list-style-type: none"> ▪ Incremental Costs
Miller	USPS-T-21	USPS-LR-L-46	<ul style="list-style-type: none"> ▪ Test Year cost data
Page	USPS-T-23	USPS-LR-L-59	<ul style="list-style-type: none"> ▪ Final Adjustments
Mayes	USPS-T-25	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Test Year transportation costs
Cutting	USPS-T-26	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Test Year CRA costs
Talmo	USPS-T-27	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Test Year CRA costs
O'Hara	USPS-T-31	Not Applicable	<ul style="list-style-type: none"> ▪ Roll-Forward Costs for Rates / Pricing
Taufique	USPS-T-32	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Roll-Forward Costs for Rates / Pricing
Scherer	USPS-T-33	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Roll-Forward Costs for Rates / Pricing
Berkeley	USPS-T-34	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Roll-Forward Costs for Rates / Pricing
Tang	USPS-T-35	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Roll-Forward Costs for Rates / Pricing
Kiefer	USPS-T-36	USPS-LR-L-7	<ul style="list-style-type: none"> ▪ Roll-Forward Costs for Rates / Pricing

	USPS-T-37	USPS-LR-L-7	▪ Roll-Forward Costs for Rates / Pricing
Yeh	USPS-T-38	USPS-LR-L-7	▪ Roll-Forward Costs for Rates / Pricing
Berkeley	USPS-T-39	USPS-LR-L-7	▪ Roll-Forward Costs for Rates / Pricing
Mitchum	USPS-T-40	USPS-LR-L-7	▪ Roll-Forward Costs for Rates / Pricing
Kaneer	USPS-T-41	USPS-LR-L-7	▪ Roll-Forward Costs for Rates / Pricing

1

2 **VIII. Revenue Requirement**

3

4 The estimated test year revenue needs of the Postal Service have been determined
5 by using Fiscal Year 2005 as the base year from which to forecast costs and
6 revenues. Fiscal Year 2008 is the test year (TY). Witness Milanovic, USPS-T-9,
7 provides the Base Year (2005) Cost and Revenue Analysis (CRA) using the Postal
8 Service's proposed cost attribution treatment for this docket. Witness Loutsch,
9 USPS-T-6, develops cost change factors used to roll forward the base year cost to
10 the test year (2008). Witness Waterbury, USPS-T-10, presents the CRA rollforward
11 model and develops costs by class, subclass and special service for the interim
12 periods, and the test year both before and after rates. Witness Page, USPS-T-23,
13 develops final adjustments for the test year.

14

15 The resulting revenue requirement for Test Year 2008 is \$79.4 billion. The test year
16 before rates revenue deficiency is \$5.9 billion dollars. For each subclass and
17 special service, the proposed after rates generate revenue that exceeds incremental
18 costs and total revenue approximates the revenue requirement with a revenue
19 deficiency of \$0.8 million (USPS Exhibit 6A).

Witnesses Providing Input for the Revenue Requirement
USPS-T-6

Witness	Witness Number	Data/Information Provided
Milanovic	USPS-T-9	<ul style="list-style-type: none"> Reallocated Trial Balance account reallocations to cost component
Waterbury	USPS-T-10	<ul style="list-style-type: none"> Rollforward output reports
Smith	USPS-T-13	<ul style="list-style-type: none"> Final adjustment piggyback factors
Pifer	USPS-T-18	<ul style="list-style-type: none"> Non-volume workload weighting
Page	USPS-T-23	<ul style="list-style-type: none"> Final adjustments
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Revenue and volume
McCrery	USPS-T-42	<ul style="list-style-type: none"> Cost reduction program workhour savings and program costs included in USPS Library Reference L-49, Exhibit A,B, E, and F.

Witnesses Utilizing Revenue Requirement Data
USPS-T-6

Using Witness	Witness Number	Data/Information Provided
Waterbury	USPS-T-10	<ul style="list-style-type: none"> Rollforward model factors Workyear mix Program cost savings
Smith	USPS-T-13	<ul style="list-style-type: none"> Depreciation expense Productive hourly wage rates Cost reduction program savings and costs Non-volume workload space factors Global Insight rental cost index
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Interest income Investment income Other income Appropriation revenue Escrow Total revenue requirement
Van-Ty-Smith	USPS-T-11	<ul style="list-style-type: none"> Productive hourly wage rates
Stevens	USPS-T-19	
Miller	USPS-T-20	
Miller	USPS-T-21	
Abdirahman	USPS-T-22	
Page	USPS-T-23	
Mayes	USPS-T-25	
Cutting	USPS-T-26	
Talmo	USPS-T-27	

IX. Special Cost Studies

Witness Miller (USPS-T-20) describes the development of the test year 2008 First-Class Mail presort flats, Periodicals Outside County flats, and Standard Mail Regular flats volume variable mail processing unit cost estimates by rate category. This testimony also describes the development of mail processing unit cost estimates for First-Class Mail presort parcels and Standard Mail "hybrid" mail pieces and parcels.

Witnesses Providing Input for Special Cost Studies Testimony
USPS-T-20

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Productive hourly wage rates
Van-Ty-Smith	USPS-T-11	▪ Volume variability factors, premium pay factors and deaveraged wage rates in USPS-LR-L-55
Bozzo	USPS-T-12	▪ MODS productivity data
Smith	USPS-T-13	▪ Piggyback factors in USPS-LR-L-52 ▪ CRA mail processing unit cost estimates by shape in USPS-LR-L-53
Loetscher	USPS-T-28	▪ First-Class Mail presort flats, Periodicals Outside County flats, and Standard Mail Regular flats mail characteristics data in USPS-LR-L-92

Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-20

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	▪ First-Class Mail presort flats and Standard Mail regular presort flats mail processing unit cost estimates by rate category
Taufique	USPS-T-32	▪ First-Class Mail presort flats mail processing unit cost estimates by rate category, First-Class Mail presort parcels additional mail processing unit cost estimates
Tang	USPS-T-35	▪ Periodicals Outside County flats mail processing unit cost estimates by rate category
Kiefer	USPS-T-36	▪ Standard Mail Regular mail processing unit cost estimates by rate

		category and Standard Mail hybrids and parcels additional mail processing unit cost estimates
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1 Witness Miller (USPS-T-21) develops the test year 2008 Parcel Post, Bound Printed
2 Matter, and Media Mail / Library Mail cost estimates. The aggregate (Machinable,
3 Non-Machinable Outside, and oversize) volume variable mail processing unit cost
4 estimates for the Parcel Post rate categories are relied upon by witness Page
5 (USPS-T-23) as a means to calculate final adjustments.

6 Input for Special Cost Studies Testimony
7 USPS-T-21

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Productive hourly wage rates
Milanovic	USPS-T-9	▪ Base Year cost data in USPS-LR-L-5
Waterbury	USPS-T-10	▪ Test Year cost data
Van-Ty-Smith	USPS-T-11	▪ Volume variability factors, premium pay factors and deaveraged wage rates in USPS-LR-L-55
Bozzo	USPS-T-12	▪ MODS productivity data
Smith	USPS-T-13	▪ Piggyback factors in USPS-LR-L-52 ▪ CRA mail processing unit cost estimates by shape in USPS-LR-L-53
Mayes	USPS-T-25	▪ Parcel Post transportation costs
Cutting	USPS-T-26	▪ Parcel Post window service costs and Bound Printed Matter mail processing costs in USPS-LR-L-86
Talmo	USPS-T-27	▪ Bound Printed Matter and Parcel Post information

8
9 Witnesses Utilizing Output from Special Cost Studies Testimony
10 USPS-T-21

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	▪ Parcel Post mail processing unit costs by rate category
Mayes	USPS-T-25	▪ Media Mail / Library Mail cost data
Kiefer	USPS-T-36	▪ Parcels and "hybrid" pieces mail processing costs
	USPS-T-37	▪ Parcel Post cost estimates
Yeh	USPS-T-38	▪ Bound Printed Matter and Media Mail / Library Mail mail processing cost estimates

Witness Abdirahman's testimony (USPS-T-22) presents the Test Year 2008 First-Class Mail cards and letters and Standard Mail letters mail processing unit cost estimates and the Test Year 2008 estimated costs for the Qualified Business Reply Mail postage discount and the Business Reply Mail fee's costs. Witness Abdirahman also sponsors Library References USPS-LR-L-48, which contains the Test Year (TY) 2008 First-Class Mail cards and letters and Standard Mail letters mail processing unit cost estimates, and USPS-LR-L-69, which contains the Test Year (TY) 2008 estimated costs for the Qualified Business Reply Mail (QBRM) postage discount and the Business Reply Mail fee's costs.

Input to Special Cost Studies Testimony
USPS-T-22

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Productive hourly wage rates
Van-Ty-Smith	USPS-T-11	▪ Volume Variability factors, Premium pay factors and de-averaged wage rates in USPS-LR-L-55
Bozzo	USPS-T-12	▪ MODS productivity data
Smith	USPS-T-13	▪ Piggyback factors in USPS-LR-L-52 ▪ CRA mail processing unit cost estimates by shape in USPS-LR-L-53
Loetscher	USPS-T-28	▪ Mail Characteristics data in USPS-LR-L-32 and USPS-LR-L-92, and BRM accounting practice in USPS-LR-L-34
McCrery	USPS-T-42	▪ RCR finalization rate and Remote Bar Code System (RBCS) leakage factor

Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-22

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	▪ First-Class Mail presort cards and letters and Standard Mail Regular letters mail processing unit cost estimates by rate category
Cutting	USPS-T-26	▪ Test year letter mail processing cost for First-Class Mail in USPS-LR-L-48
Taufique	USPS-T-32	▪ First Class letters and Cards mail processing cost estimates

Tang	USPS-T-35	▪ LR-L-48 Letter/Card Processing Cost Model Output
Kiefer	USPS-T-36	▪ Standard letters mail processing cost estimates
Berkeley	USPS-T-39	▪ QBRM worksharing related savings estimate and BRM Special Service fees

Witness Page (USPS T-23) presents estimated test year volume variable costs for categories of Express Mail and stamped envelopes, and he develops Final Adjustments for the rollforward process. Witness Page's testimony also provides special studies information for special services including Confirm, Delivery Confirmation, Signature Confirmation and Return Receipt.

Witnesses Providing Input for Special Cost Studies Testimony
USPS-T-23

Witness	Witness Number	Data/Information Provided
Czigler	USPS-T-1	▪ Labor cost information
Loutsch	USPS-T-6	▪ Productive hourly wage rates
Thress	USPS-T-7	▪ Volume forecasts
Milanovic	USPS-T-9	▪ Base Year costs
Waterbury	USPS-T-10	▪ Roll forward data in USPS-LR-L-7
Van-Ty-Smith	USPS-T-11	▪ Volume-variable costs in USPS-LR-L-55
Smith	USPS-T-13	▪ Piggyback factors in USPS-LR-L-52
Miller	USPS-T-20	▪ Cost model inputs for flats in USPS-LR-L-43
Miller	USPS-T-21	▪ Parcel Post mail processing unit costs by rate category
Abdirahman	USPS-T-22	▪ Cost model inputs for letters in USPS-LR-L-48
Mayes	USPS-T-25	▪ Parcel Post transportation costs for final adjustments
Cutting	USPS-T-26	▪ ACS costs
Talmo	USPS-T-27	▪ ECR Costing
Kelley	USPS-T-30	▪ Delivery Cost
Scherer	USPS-T-33	▪ Priority Mail data
Kiefer	USPS-T-37	▪ Parcel Post Data

Witnesses Utilizing Output from Special Cost Studies Testimony
USPS-T-23

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Final Adjustments
Waterbury	USPS-T-10	▪ Final Adjustments
Smith	USPS-T-13	▪ Caller Service Costs
Pifer	USPS-T-18	▪ Test year final adjustment detail
Mayes	USPS-T-25	▪ Calculated final adjustments to Standard Mail Cost Segments 8 and 14 in USPS-LR-L-59
Scherer	USPS-T-33	▪ Unit costs for pick-up service
Berkeley	USPS-T-34	▪ Unit costs for pick-up service
	USPS-T-39	▪ Test year cost estimates
Kiefer	USPS-T-37	▪ Delivery Confirmation Cost/Parcel Select electronic delivery confirmation cost
Mitchum	USPS-T-40	▪ Special Services Cost
Kaneer	USPS-T-41	▪ Caller Service Costs

Witness Nieto (USPS-T-24) provides the procedures of the 2005 window transaction time field study that supports the development of the window service variabilities presented by witness Bradley (USPS-T-17). These procedures are documented in library references USPS-LR-L-78 and USPS-LR-L-79.

Witnesses Utilizing Output from Window Service Field Study Testimony
USPS-T-24

Witness	Witness Number	Data/Information Provided
Bradley	USPS-T-17	▪ Transaction Time Study data set

Witness Mayes (USPS-T-25) presents the updated calculations of the transportation and non-transportation components of Standard Mail dropship cost avoidances, the non-transportation component of Periodicals dropship cost avoidances, the transportation costs for Parcel Post and for Bound Printed Matter, and the costs of Bulk Parcel Return Service for the test year 2008. The following Category 2 library references are associated with her testimony: USPS-LR-L-88, Dropship Cost

Avoidances for Standard Mail and Periodicals; USPS-LR-L-89, Parcel Post and Bound Printed Matter Transportation Costs, and Development of Costs for Bulk Parcel Return Service; and USPS-LR-L-90, Description and Program Documentation of Cube-Weight Relationship Estimation.

Input for Special Cost Studies Testimony
USPS-T-25

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Productive hourly wage rates in USPS-LR-L-50
Thress	USPS-T-7	▪ Volume forecasts
Milanovich	USPS-T-9	▪ Base year transportation costs in USPS-LR-L-5, and base year volumes and weights in USPS-LR-L-2
Waterbury	USPS-T-10	▪ Test year transportation costs in USPS-LR-L-7
Van-Ty-Smith	USPS-T-11	▪ Volume variability factors, premium pay factors, overhead factors, and deaveraged wage rates in USPS-LR-L-55
Smith	USPS-T-13	▪ Piggyback factors in USPS-LR-L-52
Miller	USPS-T-21	▪ Media Mail average modeled mail processing unit cost and adjustment factors in USPS-LR-L-46; and Parcel Post volume, cubic feet and weight data in USPS-LR-L-47
Page	USPS-T-23	▪ Calculated final adjustments to Standard Mail Cost Segments 8 and 14 in USPS-LR-L-59
Loetscher	USPS-T-28	▪ Mail entry profile for Standard Mail and Periodicals in USPS-LR-L-91 and USPS-LR-L-92
Kiefer	USPS-T-36	▪ NSA volumes shifted from Standard Mail to First-Class Mail in USPS-LR-L-36
	USPS-T-37	▪ Parcel Return Service volume distribution in USPS-LR-L-82

Witnesses Utilizing Special Cost Studies Testimony
USPS-T-25

Witness	Witness Number	Data/Information Provided
Miller	USPS-T-21	▪ Parcel Post transportation cost estimates
Page	USPS-T-23	▪ Parcel Post transportation costs for final adjustments

Talmo	USPS-T-27	▪ Standard Mail nontransportation dropship cost avoidances
Tang	USPS-T-35	▪ Periodicals dropship cost avoidances
Kiefer	USPS-T-36	▪ Standard Mail transportation and nontransportation dropship cost avoidances
Kiefer	USPS-T-37	▪ Parcel Post transportation costs
Yeh	USPS-T-38	▪ Bound Printed Matter transportation costs
Berkeley	USPS-T-39	▪ Bulk Parcel Return Service unit cost

1

2 Witness Cutting (USPS-T-26) provides comprehensive information in USPS-LR-L-61
3 on the volume, characteristics, and costs of Undeliverable-As-Addressed (UAA)
4 mail. The study reports statistics that are national in scope and benchmarked to
5 Fiscal Year (FY) 2004 levels. Witness Cutting's testimony presents Test Year (TY)
6 2008 costs and volume estimates of UAA mail that requires mailer notification
7 through the Postal Service's Address Correction Service. These results are based
8 on calculations in USPS-LR-L-62 which rolls forward UAA volumes and costs from
9 FY 2004 to TY 2008.

10

11

Input for Special Cost Studies Testimony
USPS-T-26

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Productive hourly wage rates
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Test Year CRA costs in USPS-LR-L-7
Van-Ty-Smith	USPS-T-11	▪ Volume-variable costs in USPS-LR-L-55
Smith	USPS-T-13	▪ Test year piggyback factors in USPS-LR-L-52 and USPS-LR-L-53
Abdirahman	USPS-T-22	▪ Test year letter mail processing cost for First-Class Mail in USPS-LR-L-48

12

Witnesses Utilizing Special Cost Studies Testimony
USPS-T-26

Witness	Witness Number	Data/Information Provided
Miller	USPS-T-21	▪ Parcel Post window service costs and Bound Printed Matter mail processing costs in USPS-LR-L-86
Page	USPS-T-23	▪ Return receipt cost analysis; Address Correction Service costs for final adjustments
Mitchum	USPS-T-40	▪ Address Correction Service pricing policies

Witness Talmo (USPS-T-27) sponsors several analyses: development of test-year window service volume variable costs by shape for several mail categories, development of test year mail processing saturation savings by shape for Standard Mail ECR, development of test year cost differential between Periodicals flat-shaped mail prepared on pallets versus in sacks, development of base and test year mail processing costs for Bound Printed Matter and development of base year window service costs for Parcel Post.

Input for Special Cost Studies Testimony
USPS-T-27

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Productive hourly wage rates
Milanovic	USPS-T-9	▪ Base year CRA costs in USPS-LR-L-5
Waterbury	USPS-T-10	▪ Test Year CRA costs in USPS-LR-L-7
Van-Ty-Smith	USPS-T-11	▪ Base Year volume variable costs in USPS-LR-L-55
Smith	USPS-T-13	▪ Test year cost and volume factors in USPS-LR-L-52 and 53
Mayes	USPS-T-25	▪ Standard Mail nontransportation dropship cost avoidances
Loetscher	USPS-T-28	▪ Base year volumes by shape and drop shipment level in USPS-LR-L-87

Witnesses Utilizing Special Cost Studies Testimony
USPS-T-27

Witness	Witness Number	Data/Information Provided
Miller	USPS-T-21	▪ Bound Printed Matter and Parcel Post information
Page	USPS-T-23	▪ Window service and saturation savings information
Tang	USPS-T-35	▪ Periodicals pallet analysis
Kiefer	USPS-T-36	▪ Saturation savings information

Witness Loetscher (USPS-T-28) presents and sponsors six studies which provide various input information for a number of witnesses: USPS-LR-L-87 contains estimates of revenue, pieces, and weight by shape and indicia for First Class Mail, Standard Mail, and Periodicals Mail; USPS-LR-L-32, USPS-LR-L-91, and USPS-LR-L-92 contain estimates of the mail preparation characteristics of First Class Mail, Periodicals Mail, and Standard Mail, respectively; USPS-LR-L-33 provides estimates of the physical characteristics of Standard Mail non-letters; and USPS-LR-L-34 provides estimates of the rating and billing practices of Business Reply Mail (BRM).

Witness Providing Input to Special Studies Testimony
USPS-T-28

Witness	Witness Number	Data/Information Provided
Pafford	USPS-T-3	▪ RPW Data

Witnesses Utilizing Output from Special Studies Testimony
USPS-T-28

Witness	Witness Number	Data/Information Provided
Smith	USPS-T-13	▪ Volumes by shape
Miller	USPS-T-20	<ul style="list-style-type: none"> ▪ RPW by Shape - USPS-LR-L-87 ▪ Standard Mail flats preparation characteristics - USPS-LR-L-92 ▪ Periodicals Outside County flats preparation characteristics – USPS-LR-L-91 ▪ First-Class Mail flats preparation

		characteristics – USPS-LR-L-32
Abdirahman	USPS-T-22	<ul style="list-style-type: none"> ▪ RPW by Shape - USPS-LR-L-87 ▪ Standard Mail letters preparation characteristics – USPS-LR-L-92 ▪ First Class Mail letters preparation characteristics – USPS-LR-L-32 ▪ BRM rating and billing practices – USPS-LR-L-34
Mayes	USPS-T-25	<ul style="list-style-type: none"> ▪ Mail entry profile for Standard Mail and Periodicals in USPS-LR-L-91 and USPS-LR-L-92
Talmo	USPS-T-27	<ul style="list-style-type: none"> ▪ Base year volumes by shape and drop shipment level in USPS-LR-L-87
Kelley	USPS-T-30	<ul style="list-style-type: none"> ▪ USPS-LR-L-87 RPW by shape
Taufique	USPS-T-32	<ul style="list-style-type: none"> ▪ USPS-LR-L-87 RPW by shape
Tang	USPS-T-35	<ul style="list-style-type: none"> ▪ Periodicals Outside County Advertising and Editorial Pound Distribution by Postal Zone -USPS-LR-L-87 ▪ Periodicals Outside County mail average container sizes – USPS-LR-L-91
Kiefer	USPS-T-36	<ul style="list-style-type: none"> ▪ RPW by Shape – USPS-LR-L-87 ▪ Standard Mail preparation characteristics – USPS-LR-L-92 ▪ Standard Mail non-letter estimates USPS-LR-L-33

1

2 Witness Schroeder (USPS-T-29) presents a study that estimates cubic foot
3 distributions and average cubic feet for Priority Mail. The study also computes
4 average density for Priority Mail. Witness Schroeder estimates the size distribution
5 of Priority Mail by pound increment, zone, and cubic foot range. To accomplish this,
6 he uses the Priority Mail parcel sample data from Library Reference USPS-LR-
7 2/MC2004-2 and combines it with Priority Mail flat and flat rate envelope sample
8 data from a study conducted at three sample sites in July 2005 and August 2005.
9 This study's estimates are used by witness Scherer (USPS-T-33) in Priority Mail
10 pricing classification changes and transportation cost distribution.

Witness Providing Input to Special Studies Testimony
USPS-T-29

Witness	Witness Number	Data/Information Provided
Scherer	USPS-T-33	<ul style="list-style-type: none"> Average weight by pound increment for Priority Mail from USPS-LR-L-121

Witnesses Utilizing Output from Special Studies Testimony
USPS-T-29

Witness	Witness Number	Data/Information Provided
Scherer	USPS-T-33	<ul style="list-style-type: none"> Cubic foot distributions and average cubic feet for Priority Mail. Average density for Priority Mail parcels.

Witness Kelley (USPS-T-30), in his second testimony of this docket, describes the processes used to derive unit delivery costs by rate category.

Input for Special Cost Studies Testimony
USPS-T-30

Witness	Witness Number	Data/Information Provided
Czigler	USPS-T-1	<ul style="list-style-type: none"> Carrier labor cost information
Harahush	USPS-T-4	<ul style="list-style-type: none"> City Carrier Data
Riddle	USPS-T-5	<ul style="list-style-type: none"> Rural Carrier Data
Milanovic	USPS-T-9	<ul style="list-style-type: none"> USPS-LR-L-5- CRA Workpapers
Smith	USPS-T-13	<ul style="list-style-type: none"> Mail processing and piggyback information in USPS-LR-L-52 and USPS-LR-L-53, respectively Parcel adjustment information
Loetscher	USPS-T-28	<ul style="list-style-type: none"> USPS-LR-L-87 RPW by shape
		<ul style="list-style-type: none"> USPS-LR-L-9 IOCS data USPS-LR-L-11 CCCS data USPS-LR-L-12 RCCS data

Witnesses Utilizing Special Cost Studies Testimony
USPS-T-30

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	<ul style="list-style-type: none"> Information for Final Adjustments
Taufique	USPS-T-32	<ul style="list-style-type: none"> Delivery Costs by Shape, USPS-LR-67

Tang	USPS-T-35	▪ Delivery Costs by Shape, USPS-LR-67
Kiefer	USPS-T-36	▪ Delivery Costs by Shape, USPS-LR-67

X. Pricing

Witness O'Hara (USPS-T-31) is the rate policy witness in this proceeding. Witness O'Hara presents the Postal Service's general rate and classification objectives for this case in a context where five years have elapsed during which the overall structure of rates and classifications has remained largely unchanged due to the special character of the two previous two rate cases. During this period, there have been substantial changes in Postal Service operations and in the ways that consumers and businesses use the mail, with further changes planned or expected by the Test Year. Also, Postal Reform legislation could well be enacted while this case is underway. Given this background, witness O'Hara then presents the Postal Service's proposed cost coverages (or "rate-levels") for each subclass, and explains how these proposals accord with the criteria in the Act. Finally, witness O'Hara demonstrates that the proposed rates will generate a Test-Year net income that is very close to breakeven.

Witnesses Providing Input to Rate Policy Testimony
USPS-T-31

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	▪ Revenue Requirement, Other income and expenses
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Rollforward costs by subclass
Pifer	USPS-T-18	▪ Incremental costs by subclass
Taufique	USPS-T-32	▪ Revenues for interim year, TYBR, TYAR ▪ TYAR volume shifts due to classification

		changes
Scherer	USPS-T-33	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Berkeley	USPS-T-34	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Tang	USPS-T-35	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Kiefer	USPS-T-36	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Kiefer	USPS-T-37	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Yeh	USPS-T-38	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Berkeley	USPS-T-39	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Mitchum	USPS-T-40	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
Kaneer	USPS-T-41	<ul style="list-style-type: none"> Revenues for interim year, TYBR, TYAR TYAR volume shifts due to classification changes
McCrery	USPS-T-42	<ul style="list-style-type: none"> Current and planned TY operating environment

Witnesses Utilizing Rate Policy Testimony
USPS-T-31

Witness	Witness Number	Data/Information Provided
Loutsch	USPS-T-6	<ul style="list-style-type: none"> Revenue and volume
Taufique	USPS-T-32	<ul style="list-style-type: none"> Target cost coverages
Scherer	USPS-T-33	<ul style="list-style-type: none"> Target cost coverages
Berkeley	USPS-T-34	<ul style="list-style-type: none"> Target cost coverages
Tang	USPS-T-35	<ul style="list-style-type: none"> Target cost coverages
Kiefer	USPS-T-36	<ul style="list-style-type: none"> Target cost coverages
Kiefer	USPS-T-37	<ul style="list-style-type: none"> Target cost coverages
Yeh	USPS-T-38	<ul style="list-style-type: none"> Target cost coverages
Berkeley	USPS-T-39	<ul style="list-style-type: none"> Target cost coverages
Mitchum	USPS-T-40	<ul style="list-style-type: none"> Target cost coverages
Kaneer	USPS-T-41	<ul style="list-style-type: none"> Target cost coverages

Witness Taufique (USPS-T-32) describes the Postal Service's proposed rate design for First-Class Mail and presents the specific First-Class Mail rates that the Postal

Service is requesting that the Commission recommend for approval. His testimony briefly discusses the volume trends and rate history of First-Class Mail and discusses in detail rate design issues relating to revenue requirements for single-piece and workshare letter mail as it relates to de-linking these two rate categories. Also, witness Taufique discusses the derivation of letter, flat and parcel rates for both single-piece and workshare rate categories. His testimony concludes with a summary of the financial results of the proposed rates in Test Year 2008.

Input to First-Class Mail Rate Design Testimony
USPS-T-32

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Smith	USPS-T-13	▪ Mail Processing Costs by Shape in USPS-LR-L-53
Miller	USPS-T-20	▪ Flats Mail Processing Cost Model Output in USPS-LR-L-43
Abdirahman	USPS-T-22	▪ Letter and Cards Mail Processing Cost Model Output in USPS-LR-L-38
Loetscher	USPS-T-28	▪ FCM Mail volumes by Shape and Ounce increments in USPS-LR-L-87
Kelley	USPS-T-30	▪ Delivery Costs by Shape in USPS-LR-67
O'Hara	USPS-T-31	▪ Target cost coverages
Berkeley	USPS-T-39	▪ Domestic Mail Fees

Witnesses Utilizing First-Class Mail Rate Design Testimony
USPS-T-32

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	▪ Test Year Before Rates and Test Year After Rates Revenues
Kiefer	USPS-T-36	▪ Average First-Class Mail rate increase
Berkeley	USPS-T-39	▪ Volume deviation

Witness Scherer (USPS-T-33) proposes new Priority Mail rates. His testimony also proposes a new Priority Mail classification for dimensional-weight pricing, a

permanent classification for the Priority Mail flat-rate box, and a fee for on-call and scheduled Priority Mail, Express Mail and Parcel Post pick-up service.

Input to Priority Mail Rate Design Testimony
USPS-T-33

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Kelley	USPS-T-15	▪ Distance Related Transportation Costs USPS-LR-L-39
Nash	USPS-T-16	▪ Priority Mail transportation-network relationships
Page	USPS-T-23	▪ Unit costs for pick-up service
Schroeder	USPS-T-29	▪ Priority Mail piece-size relationships
O'Hara	USPS-T-31	▪ Target cost coverages
Berkeley	USPS-T-34	▪ Test Year Express Mail pick-up service volume
Kiefer	USPS-T-37	▪ Premium Forwarding Service volume forecast ▪ Test Year Parcel Post pick-up service volume
Berkeley	USPS-T-39	▪ Priority Mail fee revenues

Witnesses Utilizing Priority Mail Rate Design Testimony
USPS-T-33

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	▪ TYAR dim-weighting final cost adjustments ▪ Priority Mail cost distributions for TYBR and TYAR final cost adjustments
Schroeder	USPS-T-29	▪ Average weight by pound increment for Priority Mail from USPS-LR-L-121
O'Hara	USPS-T-31	▪ Test Year Before Rates and Test Year After Rates Revenues
Berkeley	USPS-T-34	▪ Proposed pick-up service fee
Kiefer	USPS-T-36	▪ Average Priority Mail rate increase
	USPS-T-37	▪ Estimate of the number of parcels leaving Priority Mail as a result of dim-weighting ▪ Proposed pick-up service fee ▪ Proposed Priority Mail rates
Berkeley	USPS-T-39	▪ Priority Mail volumes (to estimate fee revenues)

Witness Berkeley (USPS-T-34) discusses the rate design for Express Mail and proposes new Express Mail rates. Since Same Day Airport Express Mail service is currently suspended, she will not be proposing any rates for this category. Thus, the new rates she proposes are for the categories of Custom Designed, Post Office to Post Office, and Post Office to Addressee.

Input to Express Mail Rate Design Testimony
USPS-T-34

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Kelley	USPS-T-15	▪ Distance Related Transportation Costs USPS-LR-L-39
Pifer	USPS-T-18	▪ Incremental Costs
Page	USPS-T-23	▪ Unit costs for pick-up service
O'Hara	USPS-T-31	▪ Target cost coverages
Scherer	USPS-T-33	▪ Proposed pick-up service fee

Witnesses Utilizing Express Mail Rate Design Testimony
USPS-T-34

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	▪ Revenues for interim year, TYBR, TYAR ▪ TYAR volume shifts due to classification changes
Scherer	USPS-T-33	▪ Test Year Express Mail pick-up service volume

Witness Tang (USPS-T-35) presents the proposed rates and classification changes for Periodicals. Her testimony presents rates for the Outside County and Within County subclasses, as well as rates for Science of Agriculture.

Input to Periodicals Rate Design Testimony
USPS-T-35

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Kelley	USPS-T-15	▪ Distance Related Transportation Costs USPS-LR-L-39

Miller	USPS-T-20	▪ Periodicals Outside County flats mail processing unit cost estimates by rate category
Abdirahman	USPS-T-22	▪ LR-L-48 Letter/Card Processing Cost Model Output
Mayes	USPS-T-25	▪ LR-L-88 Periodicals Dropship
Talmo	USPS-T-27	▪ LR-L-84 ECR Mail Processing Saturation Savings
Loetscher	USPS-T-28	▪ LR-L-91 Periodicals Characteristics Study
Kelley	USPS-T-30	▪ LR-L-67 Delivery Costs
O'Hara	USPS-T-31	▪ Target cost coverages
Berkeley	USPS-T-39	▪ Domestic Mail Fees
		▪ LR-L-74 Revenue and Volume History
		▪ LR-L-77 FY2005 Billing Determinants

Witnesses Utilizing Periodicals Rate Design Testimony
USPS-T-35

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	▪ Test Year Before Rates and Test Year After Rates Revenues

Witness Kiefer (USPS-T-36) presents the proposed rates for Standard Mail. He also proposes several changes to Standard Mail rate design, including de-averaging worksharing rates for nonautomation letters and for automation and nonautomation nonletters. Parcels and "hybrid" pieces are given their own separate rate structures independent of the flats rate design.

Input to Standard Mail Rate Design Testimony
USPS-T-36

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Miller	USPS-T-20	▪ Flats mail processing costs
	USPS-T-21	▪ Parcels and "hybrid" pieces mail processing costs
Abdirahman	USPS-T-22	▪ Letters mail processing costs
Mayes	USPS-T-25	▪ Drop-ship entry savings
Talmo	USPS-T-27	▪ ECR mail processing costs

Loetscher	USPS-T-28	<ul style="list-style-type: none"> Standard Mail mail characteristics survey; Nonletters redefinition survey, Non-flats nonletters distributions
Kelley	USPS-T-30	<ul style="list-style-type: none"> Delivery costs and DAL shares
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Target cost coverages
Taufique	USPS-T-32	<ul style="list-style-type: none"> Average First-Class Mail rate increase
Scherer	USPS-T-33	<ul style="list-style-type: none"> Average Priority Mail rate increase
Berkeley	USPS-T-39	<ul style="list-style-type: none"> Standard Mail fees

Witnesses Utilizing Standard Mail Rate Design Testimony
USPS-T-36

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Test Year Before Rates and Test Year After Rates Revenues

Witness Kiefer (USPS-T-37) describes proposed changes in the Parcel Post subclass: the two basic retail categories (Intra-BMC and Inter-BMC), the three commercial rate categories (DDU, DSCF, and DBMC) collectively known as Parcel Select, and the recently approved Parcel Return Service (PRS) categories, return delivery unit (RDU) and return bulk mail center (RBMC) categories.

Input to Parcel Post Rate Design Testimony
USPS-T-37

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	<ul style="list-style-type: none"> Volume forecasts
Waterbury	USPS-T-10	<ul style="list-style-type: none"> Roll-Forward Costs in USPS-LR-L-7
Miller	USPS-T-21	<ul style="list-style-type: none"> Parcel Mail Processing Cost/ Parcel Return Service (PRS) Cost Savings Estimates
Page	USPS-T-23	<ul style="list-style-type: none"> Delivery Confirmation Cost/Parcel Select electronic delivery confirmation cost
Mayes	USPS-T-25	<ul style="list-style-type: none"> Cost Studies/Transportation Costs
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Target cost coverages
Scherer	USPS-T-33	<ul style="list-style-type: none"> Volume migration/Migration of dim-weighted Priority Mail pieces to Parcel Post Pickup fee
Berkeley	USPS-T-39	<ul style="list-style-type: none"> Parcel Post fee revenue

Witnesses Utilizing Parcel Post Rate Design Testimony
USPS-T-37

Witness	Witness Number	Data/Information Provided
Page	USPS-T-23	<ul style="list-style-type: none"> Cost/ Cost of dim-weighted Priority Mail pieces migrating to Parcel Post Volume/ Test Year volumes for return delivery unit (RDU) pieces
Mayes	USPS-T-25	<ul style="list-style-type: none"> Parcel Return Service volume distribution in USPS-LR-L-82
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Test Year Before Rates and Test Year After Rates Revenues
Scherer	USPS-T-33	<ul style="list-style-type: none"> Volume/Test Year Premium Forwarding Service (PFS) volume Volume/Pickup service test year volumes for Parcel Post
Berkeley	USPS-T-39	<ul style="list-style-type: none"> Special Services information

Witness Yeh (USPS-T-38) presents the pricing and classification change proposals for Bound Printed Matter, Media Mail and Library Mail. Her testimony describes these three mail subclasses, discusses their rate and volume histories, describes the design of the new rate and classification changes, and discusses the financial impacts of her proposals.

Input to Bound Printed Matter, Media Mail, and Library Mail Rate Design Testimony
USPS-T-38

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	<ul style="list-style-type: none"> Volume forecasts
Waterbury	USPS-T-10	<ul style="list-style-type: none"> Roll-Forward Costs in USPS-LR-L-7
Miller	USPS-T-21	<ul style="list-style-type: none"> Bound Printed Matter and Media Mail / Library Mail mail processing cost estimates
Mayes	USPS-T-25	<ul style="list-style-type: none"> Transportation costs
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Target cost coverages
Berkeley	USPS-T-39	<ul style="list-style-type: none"> TYBR and TYAR fees

Witnesses Utilizing Bound Printed Matter, Media Mail, and Library Mail Rate Design Testimony
USPS-T-38

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	<ul style="list-style-type: none"> Test Year Before Rates and Test Year After Rates Revenues

Witness Berkeley (USPS-T-39), in her second testimony in this docket, presents pricing proposals for many of the Postal Service's special services. Her testimony also requests classification changes to some of these special services. Finally, witness Berkeley addresses the Postal Service's review of the special services she is presenting relative to issues raised in the Opinion and Recommended Decision of Docket No. R2005-1.

Input to Special Services Testimony
USPS-T-39

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Pifer	USPS-T-18	▪ Incremental Costs
Abdirahman	USPS-T-22	▪ Special Cost Studies Information
Page	USPS-T-23	▪ Special Cost Studies Information
Mayes	USPS-T-25	▪ Special Cost Studies Information
O'Hara	USPS-T-31	▪ Target cost coverages
Taufique	USPS-T-32	▪ Volume deviation
Scherer	USPS-T-33	▪ Volume deviation
Kiefer	USPS-T-37	▪ Special Services information
Mitchum	USPS-T-40	▪ Special Services information
Kaneer	USPS-T-41	▪ Special Services information

Witnesses Utilizing Special Services Testimony
USPS-T-39

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	▪ Test Year Before Rates and Test Year After Rates Revenues
Taufique	USPS-T-32	▪ Domestic Mail Fees
Scherer	USPS-T-33	▪ Priority Mail Fees
Tang	USPS-T-35	▪ Domestic Mail Fees
Kiefer	USPS-T-36	▪ Standard Mail Fees
Kiefer	USPS-T-37	▪ Parcel Post Fees
Yeh	USPS-T-38	▪ TYBR and TYAR fees

Witness Mitchum (USPS-T-40) proposes fee and classification changes for the following special services: Address Correction Service, Certificate of Mailing,

Confirm, Insurance, Mailing List Services (Correction of Mailing Lists, Address Changes for Election Boards, Sequencing of Address Cards, and ZIP Coding of Mailing Lists), Parcel Air Lift, Registered Mail, and Special Handling. The discussion on each special service in his testimony demonstrates the need for fee and classification changes by showing how each proposal is consistent with the applicable statutory criteria.

Input to Special Services Rate Design Testimony
USPS-T-40

Witness	Witness Number	Data/Information Provided
Thress	USPS-T-7	▪ Volume forecasts
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Page	USPS-T-23	▪ Special Studies for Special Services
Cutting	USPS-T-26	▪ UAA Study
O'Hara	USPS-T-31	▪ Target cost coverages

Witnesses Utilizing Special Services Testimony
USPS-T-40

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	▪ Test Year Before Rates and Test Year After Rates Revenues
Berkeley	USPS-T-39	▪ Special Services information

Witness Kaneer (USPS-T-41) presents proposals for Post Office Box and Caller Service, which includes new post office box service fees along with caller service fees that vary in relation to location space cost. Witness Kaneer also proposes a clarification on Group E fee availability, in footnote 1 to the post office box fee schedule. His testimony addresses not only pricing, but also costing and volume estimation issues.

Input to Post Office Box Fees Testimony
USPS-T-41

Witness	Witness Number	Data/Information Provided
Pafford	USPS-T-3	▪ PO Box RPW data
Waterbury	USPS-T-10	▪ Roll-Forward Costs in USPS-LR-L-7
Smith	USPS-T-13	▪ Caller Service Cost ▪ PO Box total square feet in system
Page	USPS-T-23	▪ Caller Service Window Cost ▪ POB Key cost
O'Hara	USPS-T-31	▪ Target cost coverages

Witnesses Utilizing Post Office Box Fees Testimony
USPS-T-41

Witness	Witness Number	Data/Information Provided
O'Hara	USPS-T-31	▪ Test Year Before Rates and Test Year After Rates Revenues
Berkeley	USPS-T-39	▪ PO Box Fees and Counts Base Year, TYBR, and TYAR

Section 4: DESCRIPTION OF CHANGES IN METHODOLOGY SINCE LAST RATE CASE BY TESTIMONY NUMBER

Witness Loutsch (USPS-T-6) presents several methodological changes to the revenue requirement estimation process as listed in Appendix 7 of Library Reference L-50. These changes include a change in the method used to estimate the workers' compensation expense (described in Chapter III of his testimony with workpapers at Chapter VI d of Library Reference L-50). Also, the calculation of annuitant COLA expense was eliminated since the calculation is no longer relevant, and a separate estimate of the Annuitant Health Benefits has been included to replace the calculation formerly included as part of the annuitant COLA worksheet. Third, the unit cost worksheet has been reformatted to simplify the presentation and data input.

1 Finally, the workyear mix for rural carriers has been consolidated with the workyear
2 mix calculations for other employee groups.

3 There are no material methodological differences between the Postal Service
4 revenue requirement estimation process and that used for the PRC version of the
5 revenue requirement. The differences between the two revenue requirements result
6 from the application of volume workload factors used in the rollforward model, the
7 workyear mix adjustment, and the final adjustments.

8
9 The Postal Service's volume forecasting witnesses, Thress (USPS-T-7) and
10 Bernstein (USPS-T-8), rely on the same basic approach to forecasting as employed
11 in all recent omnibus rate proceedings, and thus present no material methodological
12 changes in their testimonies. What has changed, of course, are the conditions in the
13 markets in which the Postal Service operates, and the effects of those changes are
14 reflected in the testimonies.

15
16 Witness Milanovic's (USPS-T-9) proposed changes to the Base Year costs relative
17 to Postal Rate Commission methodology in the last rate proceeding are presented in
18 Section III of his testimony. The only other proposed change is the on-going mail
19 processing methods proposed but not adopted, starting in Docket No. R97-1, and
20 continuing in Docket Nos. R2000-1, R2001-1 and Docket No. R2005-1 and the
21 different variability for FedEx Day Turn transportation used in the recommended
22 decision from Docket No. R2005-1.

1 Witness Waterbury's (USPS-T-10) testimony presents no material methodological
2 differences relative to the methodology used by the Postal Rate Commission for roll
3 forward purposes. Rather, the differences between the USPS and PRC versions of
4 the roll forward relate to differences in inputs reflecting the difference in base year
5 methodologies.

6
7 Witness Van-Ty-Smith's (USPS-T-11) testimony presents no material
8 methodological differences from her R2005-1 testimony.

9
10 In witness Bozzo's testimony (USPS-T-12), the volume-variability databases have
11 been updated with FY 2005 data, and the econometric models were run on the
12 expanded data set. The Mail Processing Barcode Sorter (MPBCS) and Delivery
13 Barcode Sorter (DBCS) operations were consolidated for analysis purposes, to
14 mitigate the effects of data anomalies related to the removal of MPBCS equipment
15 from many plants. The Barcode Sorter (BCS) and Automated Flats Sorting Machine
16 (AFSM) variability models now employ data on outgoing and incoming operations
17 that previously had been aggregated.

18
19 Witness Smith's testimony (USPS-T-13) is an extension of the work presented in
20 Docket No. R2005-1. In his current testimony, witness Smith has updated the mail
21 processing cost pools to reflect new types of equipment and has added categories of
22 non-mail processing equipment.

23

1 In his carrier study/transportation testimony, witness Bradley (USPS-T-14) presents
2 no methodological changes in his testimony since R2005-1.

3

4 Witness Kelley (USPS-T-15) presents no methodological changes in the
5 transportation costs testimony.

6

7 Witness Nash (USPS-T-16) employs a new methodology to resolve a data issue in
8 estimating Priority Mail weight and average haul by zone. As revealed in last rate
9 case, a large amount of zone 1 and zone 2 Priority Mail in the air system operational
10 data is off-shore connecting Priority Mail from the continental United States to the
11 Caribbean. In the established methodology, this off-shore Priority Mail air weight is
12 double counted and should be distributed to long haul zones according to actual air
13 travel. The proposed new methodology addresses this issue by using another data
14 system to determine the proportion of offshore Priority Mail air weight and
15 redistributes it to long haul zones.

16

17 In his window costing testimony, witness Bradley (USPS-T-17) reports that the
18 analytical basis for calculating variabilities was corrected and the correct
19 computational formulas were applied. A new transaction time econometric equation
20 was estimated based upon the Transaction Time Study data. The estimated
21 coefficients from this equation were used to update and refine the transaction supply
22 side variabilities for the window service cost pool.

23

1 Witness Pifer (USPS-T-18) reports that the procedures used to calculate incremental
2 cost have not changed.

3

4 Witness Stevens (USPS-T-19) presents no methodological changes in the rural
5 carrier costs testimony.

6

7 In the flats mail processing cost models, witness Miller (USPS-T-20) incorporates
8 new mail characteristics data for First-Class presort flats (USPS-LR-L-32),
9 Periodicals Outside County flats (USPS-LR-L-91), and Standard Mail Regular flats
10 (USPS-LR-L-92), which is being presented by witness Loetscher (USPS-T-28). The
11 previous data were all over five years old. Witness Miller also reports that the FCM
12 presort flats cost model was revised to estimate additional costs for processing FCM
13 presort parcels. These data are being used to support the Postal Service proposal
14 for shape-based rates, presented by witness Taufique (USPS-T-32). Finally, the
15 Standard Mail Regular flats cost model was revised to reflect the Postal Service
16 proposal that the current four rate categories (nonauto basic, nonauto 3/5-digit, auto
17 basic, and auto 3/5-digit) be fully de-averaged into eight rate categories (nonauto
18 MADC, nonauto ADC, nonauto 3-digit, nonauto 5-digit, auto MADC, auto ADC, auto
19 3-digit, auto 5-digit). This proposal will be presented by witness Kiefer (USPS-T-36).

20

21 In the parcels mail processing cost models, witness Miller (USPS-T-21) incorporated
22 the Parcel Return Service (PRS) cost study into the Parcel Post cost model.

23 Witness Miller reports that because the Productivity Information Management

1 System (PIMS) was shut down and the bulk mail centers (BMC) were converted to
2 MODS during FY 2004, PIMS data are no longer used in the cost models. Witness
3 Bozzo now calculates BMC MODS productivities as part of his USPS-LR-L-56. As
4 witness Miller stated in the last case, MODS and PIMS productivity data are not
5 always comparable; the Postal Service has changed how the work hours are
6 collected and reported, especially for the Primary Parcel Sorting Machine and
7 Secondary Parcel Sorting Machine. The Parcel Post, Bound Printed Matter, and
8 Media Mail / Library Mail cost models have now been modified to accommodate the
9 new MODS figures. Due to the changes in reporting, this required eliminating some
10 task line items that were previously listed separately in the model.

11
12 In the letters and cards mail processing cost models, witness Abdirahman (USPS-T-
13 22) implemented an alternative cost methodology for First-Class Mail nonautomation
14 presort cards and letters and Standard Mail Regular letters. This new methodology
15 is to combine the separate nonautomation and automation costs into one cost by
16 shape estimate. Separate nonautomation and automation cost by shape estimates
17 are no longer provided. Witness Abdirahman discussed the rationale for this change
18 in response to Docket No. R2005-1, Presiding Officer's Information Request No. 1,
19 Question 1(a).

20 As a result of proposed changes in the approach used to develop the worksharing
21 rates for First-Class Mail, Bulk Metered Mail (BMM) unit costs are no longer used in
22 the First-Class Mail letters cost analysis. Because it is no longer necessary to
23 create a separate estimate of BMM unit costs and develop comparable cost pools

1 isolating the workshare-related costs within the Presort Letters costs, the CRA cost
2 pools within Presort Letters are no longer classified into the three classifications:
3 proportional, workshare related and non-workshare related as was previously done
4 in R2005-1. Each cost pool is now classified as being proportional or fixed, with the
5 distinction being only to separate the costs for which witness Abdirahman's model
6 attempts to develop estimates (the proportional costs), and the costs which are
7 beyond the scope of his model (fixed costs).

8 Currently, there are two Standard Mail Regular nonautomation presort letters rate
9 categories: basic and 3/5-digit presort. In the instant proceeding, the Postal Service
10 is proposing that these two rate categories be de-averaged into four rate categories:
11 nonautomation mixed Area Distribution Center (ADC) / mixed Automated Area
12 Distribution Center (AADC) presort letters, nonautomation ADC / AADC presort
13 letters, nonautomation 3-digit presort letters, and nonautomation 5-digit presort
14 letters. The Standard Mail letters cost model has therefore been revised to support
15 this proposal.

16
17 In the special services cost studies, witness Page (USPS-T-23) presents no
18 methodological changes in his testimony. He does report that that there is a product
19 change with Insurance, in which a scan will be required on all pieces, a signature
20 required for all pieces valued above \$200, and no signature for pieces valued under
21 \$200.

22

1 Witness Nieto (USPS-T-24) presents the window service field study. The 2005
2 Window Transaction Time Study varies from the 1996 Window Transaction Time
3 Study that underlies the variabilities used in the last rate case in the following
4 manner: The 2005 study uses the detailed transactional data from the retail Point-of-
5 Sale (POS) system to identify transaction characteristics rather than using the data
6 recorded by the data collectors in the field.

7

8 Witness Mayes (USPS-T-25) reports changes in the special studies for Parcel Post
9 dropshipments. The data systems used to develop the cubic feet and cubic foot mile
10 estimates for Parcel Post as presented in USPS-LR-L-47 were unable to identify the
11 Parcel Return Service (PRS) pieces and provide independently estimated cubic feet
12 and cubic foot miles for PRS. However, the volume of PRS as a proportion of Parcel
13 Select Parcel Post was not insignificant in FY 2005, and the transportation costs
14 incurred by the PRS pieces were attributed to Parcel Post. Thus, in order to develop
15 the estimated transportation costs for Parcel Select, including PRS, the cubic feet
16 and cubic foot miles associated with PRS had to be added to the Parcel Select cubic
17 feet and cubic foot mile data obtained from USPS-LR-L-47. This was achieved by
18 adding the PRS volume to the Parcel Select distributions from USPS-LR-L-47 at the
19 same cubic foot miles as USPS-LR-L-47 reported for Parcel Select. In some
20 circumstances, the billing determinants for PRS indicated nonzero volumes in weight
21 and zone combinations for which USPS-LR-L-47 indicated zero volumes (and cubic
22 feet and cubic foot miles) for Parcel Select. For such cells, the average hauls as
23 reported in USPS-LR-L-47 for the zones were multiplied by the PRS volumes as

1 reported in the billing determinants and multiplied by the regression analysis
2 estimate of cubic feet per piece for DBMC pieces in order to develop the estimated
3 cubic foot miles.

4
5 Witness Cutting (USPS-T-26) presents the Undeliverable As Addressed (UAA)
6 study. The last formal study of UAA mail was conducted in May of 1999 and
7 published in September of 1999. The UAA study sponsored by witness Cutting
8 provides statistics on UAA mail benchmarked to FY 2004. This study provides new
9 statistics not previously available including detail by rate category and shape.

10 Additionally, a new category of mail is measured: Personal Knowledge Required
11 (PKR) mail. This is mail with address quality problems that is delivered only
12 because of carriers' personal knowledge. Lacking this knowledge, PKR mail would
13 be undeliverable. The methodology used to develop all of the UAA and PKR
14 statistics sponsored by witness Cutting is completely new. Please refer to USPS-
15 LR-L-61 for details.

16
17 Witness Talmo (USPS-T-27) presents no methodological changes in his testimony.

18
19 Witness Loetscher (USPS-T-28) reports that the Mail Characteristics studies, LR-L-
20 32, LR-L-91, and LR-L-92 are new studies that replace the practice of controlling the
21 R96-1 studies to current Revenue Pieces Weight (RPW) values.

22

1 Witness Schroeder (USPS-T-29) reports several changes for the Priority Mail
2 weight-cube study. The parcel data in USPS-LR-2/MC2004-2 were re-weighted. A
3 Priority Mail flats and flat rate envelope piece characteristic survey was done. The
4 final cubic foot distributions are for all Priority Mail instead of just parcels. Witness
5 Schroeder's study computes the average cubic feet by pound increment, zone, and
6 cubic foot range for Priority Mail which was not done in USPS-LR-2/MC2004-2.

7

8 Witness Kelley (USPS-T-30) presents no methodological changes in the delivery
9 costs-by-shape testimony.

10

11 Witness O'Hara (USPS-T-31) reports no material changes in methodology related to
12 his rate policy testimony. The Postal Service is, however, changing from proposing
13 an across-the-board increase in the previous rate case back to the usual method of
14 considering each subclass individually with respect to all nine pricing criteria.

15

16 Witness Taufique (USPS-T-32) reports two noteworthy methodological changes
17 from the R2001-1 First-Class Mail rate design. The first change is the de-linking of
18 single-piece and workshare rate categories within First-Class Letters subclass. The
19 second change is that this proposal removes the nonmachinable surcharge and
20 provides for separate first ounce rates for Letters, Flats and Parcels both in single-
21 piece and workshare rate categories. Also, the heavy piece discount applicable to
22 automation and presort pieces weighing more than 2 ounces has been eliminated in
23 this proposal.

1

2 Witness Scherer (USPS-T-33) covers Priority Mail rate design. One methodology
3 change since R2001-1 is the introduction of a cube-weight key to distribute cube-
4 related transportation costs according to cubic volume rather than according to
5 weight (as an imperfect proxy). Another is the application of “economic cost” rather
6 than “accounting cost” for the distribution of air transportation costs that, under the
7 FedEx contract, are not distance-related. Other changes include a separate Zone 3
8 rate; TYAR volume and cubic volume adjustments for dim-weighting; TYBR and
9 TYAR volume adjustments for the experimental Premium Forwarding Service; a
10 TYBR volume-mix adjustment for the experimental Priority Mail flat-rate box; use of
11 the weight-interval midpoint rather than “postage pounds” for the distribution of
12 weight-related costs; recalibration of the percentage of Priority Mail volume that is
13 “Local;” new air transportation distribution keys to reflect a very different network
14 configuration (with almost all FedEx, and very little Commercial Air); and a number
15 of other technical reforms to distribute both air and surface transportation costs more
16 accurately to the zones.

17

18 Witness Berkeley (USPS-T-34) presents no methodological changes in her Express
19 Mail rate design testimony.

20

21 Witness Tang (USPS-T-35) covers Periodicals rate design. One key change is that
22 she introduces a Container Fee, a flat charge regardless of type of containers
23 (pallets or sacks).

1

2 Witness Kiefer (USPS-T-36) covers Standard Mail rate design. Standard Mail's rate
3 categories and worksharing options have been expanded. Thus, the former formula
4 methodology for developing Standard Mail rates was replaced by a methodology
5 where piece and pound rates for each mail processing category were selected and
6 then adjusted for worksharing and appropriate rate relationships reflecting cost
7 information from cost studies witnesses.

8

9 Witness Kiefer (USPS-T-37) covers the Parcel Post rate design testimony. His
10 testimony presents one methodology change: all Parcel Select – DBMC machinable
11 parcels will be required to be barcoded. The discount will be reflected in the rates
12 instead of being separately stated. A barcode discount, separately stated, will
13 continue to be available for Intra- and Inter-BMC parcels.

14

15 Witness Yeh (USPS-T-38) covers rate design for Bound Printed Matter, Media Mail,
16 and Library Mail. There are no significant methodology changes compared to
17 R2001-1.

18

19 Witness Berkeley (USPS-T-39) presents no methodological changes in her Special
20 Services testimony.

21

22 Witness Mitchum (USPS-T-40) covers pricing design for Special Services including
23 Address Correction Service, Mailing List Services, Registered Mail, Insurance,

1 Certificate of Mailing, Confirm, Parcel Airlift, and Special Handling. There are
2 several pricing Structure Changes detailed in witness Mitchum's testimony.

3

4 Witness Kaneer (USPS-T-41) presents no material methodological changes in his
5 Post Office Box fee testimony.

6

7 Witness McCrery (USPS-T-42) presents no methodological changes in his
8 Operations testimony.

9

10 Witness Hintenach (USPS-T-43) presents no methodological changes in his Retail
11 Operations testimony.

12

13 Witness Coombs (USPS-T-44) presents no methodological changes in her Delivery
14 Operations testimony.

15

16 Witness Pajunas (USPS-T-45) presents no methodological changes in his
17 Transportation Operations testimony.

***ROADMAP TESTIMONY
QUICK REFERENCE GUIDE***

CONTENTS - LIST OF TABLES

Table No. 1:	Test year Volume, Revenue, Cost and Cost Coverage by Class
Table No. 2:	Guide to Important Tables and Schedules
Table No. 3:	Testimony by Testimony Number by Functional Area
Table No. 4:	Testimony by Functional Area by Witness
Table No. 5:	Testimony by Functional Area with Method Change Indication
Table No. 6:	List of Library References

Table No. 1

Test Year Volume, Revenue, Cost and Cost Coverages by Class

	Test Year Before Rates			Test Year After Rates				
	Volume	Revenue	Volume Variable Costs	Volume	Revenue	Volume Variable Costs	Revenue as % of Cost	
First-Class Mail -- Letters Subclass	86,695,139	33,949,429	15,925,366	85,749,198	35,798,150	15,687,934	228.2%	
First-Class Mail -- Cards Subclass	5,885,811	1,294,173	812,112	5,657,451	1,371,790	777,136	176.5%	
Priority Mail	949,617	5,235,264	3,675,858	828,330	5,189,424	3,173,508	163.5%	
Express Mail	50,024	829,552	485,861	42,683	796,283	417,223	190.9%	
Periodicals								
In-County	722,431	68,296	81,867	700,140	82,358	79,513	103.6%	
Outside County								
Regular-Rate	6,521,338	1,868,323		6,290,945	2,011,488			
Nonprofit	1,749,382	333,369		1,698,941	355,887			
Classroom	61,479	16,636		60,068	17,414			
Total Outside County	8,332,199	2,218,328	2,337,552	8,049,954	2,384,789	2,262,206	105.4%	
Standard Mail								
Regular and Nonprofit								
Regular	62,389,706	14,062,727		62,815,558	15,521,094			
Nonprofit	12,464,101	1,695,902		12,372,554	1,843,032			
Total Regular and Nonprofit	74,853,807	15,758,629	9,924,809	75,188,113	17,364,127	9,835,815	176.5%	
Enhanced Carrier Route -- ECR and NECR								
Enhanced Carrier Route	33,291,379	5,900,793		29,341,944	5,629,732			
Nonprofit Enhanced Carrier Route	2,703,711	288,861		2,522,847	293,941			
Enhanced Carrier Route -- ECR and NECR	35,995,090	6,189,654	3,128,260	31,864,791	5,923,673	2,780,815	213.0%	
Package Services								
Parcel Post	419,251	1,397,537	1,360,357	369,740	1,446,904	1,255,080	115.3%	
Bound Printed Matter	648,785	699,748	623,754	654,853	790,059	631,392	125.1%	
Media Mail and Library Mail								
Media Mail	166,139	358,093		153,731	390,959			
Library Mail	13,291	28,254		12,253	30,848			
Total Media Mail and Library Mail	179,430	386,346	416,715	165,984	421,807	386,614	109.1%	
US Postal Service Mail	646,024			646,024				
Free Mail for the Blind and Handicapped	87,514		67,760	87,514		67,954		
Total Domestic Mail	215,465,121	68,026,957	38,840,271	210,004,775	71,569,363	37,355,190	191.6%	
International Mail	816,333	1,828,601	1,490,975	771,496	1,880,630	1,410,183	133.4%	
Domestic Special and Other Services:								
Registered	3,670	43,608	64,262	3,396	60,573	59,696	101.5%	
Certified Mail	269,748	647,395	455,178	263,719	698,435	445,522	156.8%	
Insurance	43,009	108,671	99,672	41,636	101,778	77,447	131.4%	
Collect on Delivery	1,311	8,550	8,378	1,135	8,190	7,259	112.8%	
Money Orders	160,930	230,401	150,767	151,879	227,551	142,373	159.8%	
Stamped Cards	118,645	2,373	1,755	111,951	2,239	1,656	135.2%	
Stamped Envelopes	235,000	9,585	10,121	300,000	13,657	12,924	105.7%	
Box/Caller Service	16,343	866,319	624,710	15,092	953,886	622,299	153.3%	
Other	1,125,959	651,399	382,989	1,059,491	726,002	356,480	203.7%	
Total	1,974,614	2,568,301	1,797,834	1,948,297	2,792,309	1,725,656	145.3%	
Total Mail & Services	216,281,454	72,423,858	42,129,080	210,776,271	76,271,454	40,491,029	188.4%	188.4%
Other Costs (Institutional)			37,041,793			37,020,039		
Recovery of Prior Years' Losses			235,803			4,820		
Other Income		719,680			719,318			
Appropriations		101,593			101,593			
Investment Income		287,346			422,738			
Total, all items	216,281,454	73,532,478	79,406,676	210,776,271	77,515,103	77,515,889	100.0%	
Net Surplus/Loss			(5,874,198)			(786)		

NOTE: **THIS TABLE REFLECTS ORIGINAL FILING**; PLEASE SEE SUBSEQUENT ERRATA OF WITNESSES LOUSCH (T-6) AND O'HARA (T-31) FOR **REVISED** FIGURES

Table No. 2
QUICK REFERENCE GUIDE
to
Important Tables and Schedules

<u>Item</u>	<u>Title</u>	<u>Sponsor</u>	<u>Source</u>	<u>Page</u>
Proposed Rate Schedules	Requested Changes in Rates and Fees	Postal Request	Attachment B	
Proposed Classification Schedules	Proposed Changes to DMCS	Postal Request	Attachment A	
Revenue Requirement	Statements of Revenue and Expense	USPS-T-6, Loutsch	USPS 6A-1	
Cost Coverage	Summary of Test Year After Rates Finances	USPS-T-31, O'Hara	Exhibit USPS-27B	
Percent Change Rates	Summary of Percent Change in Rates	USPS-T-31, O'Hara	Exhibit USPS-27D	
Before and After Volume Forecast	Volume Projections	USPS-T-7, Thress	Attachment A	
BY2005 Cost Segments	Cost Segments and Components	USPS-T-9, Milanovic	USPS-T-9	
BY2005 Volume Variable Costs	Cost and Revenue Analysis	USPS-T-9, Milanovic	USPS-T-9	
USPS BY Costing Method	Base Year 2005 Cost Calculations	USPS-T-9, Milanovic	USPS-T-9	
Rollforward	TY 2008 After Workyear Mix Adj. Before Rates	USPS-T-10, Waterbury	WorkpaperB	D Report
Rollforward	TY 2008 After Workyear Mix Adj. After Rates	USPS-T-10, Waterbury	Workpaper C	D Report
TY 2008 Incremental Costs	Incremental Costs by Subclass	USPS-T-18, Pifer	Table 1A	

Table No. 3
QUICK REFERENCE GUIDE
to
Testimony by Testimony No. by Functional Area

<u>Testimony#</u>	<u>Last Name</u>	<u>Functional Area</u>	<u>SubFunctional Area</u>	<u>Specific Functional Area</u>
USPS-T-1	Czigler	Data Systems	On-going Data Collection System	In-Office Cost System (IOCS)
USPS-T-2	Hunter III	Data Systems	On-going Data Collection System	Transportation Cost System (TRACS)
USPS-T-3	Pafford	Data Systems	On-going Data Collection System	Revenue, Pieces & Weight (RPW) and ODIS
USPS-T-4	Harahush	Data Systems	On-going Data Collection System	City Carrier Cost Systems (CCS)
USPS-T-5	Riddle	Data Systems	On-going Data Collection System	Rural Carrier Cost Systems (CCS)
USPS-T-6	Loutsch	Revenue Requirement	Revenue Requirement	Revenue Requirement
USPS-T-7	Thress	Forecasting	Volume Forecasting	Volume Forecasting
USPS-T-8	Bernstein	Forecasting	Volume Forecasting	Volume Forecasting
USPS-T-9	Milanovic	Costing	CRA Costing	Base Year Costs
USPS-T-10	Waterbury	Costing	Rollforward Model	Estimates of Future Costs
USPS-T-11	Van-Ty-Smith	Costing	CRA Costing	Base Year Mail Processing Costs by Cost Pools
USPS-T-12	Bozzo	Costing	CRA Costing	Base Year Mail Processing Econometric Study
USPS-T-13	Smith	Costing	CRA Costing	Equipment and Facility Costs, Piggyback Factors, Mail Processing Cost by Shape & Pool
USPS-T-14	Bradley	Costing	CRA Costing	City Carrier Street Time Econometric Study
USPS-T-15	Kelley	Costing	CRA Costing	Transportation Costs
USPS-T-16	Nash	Costing	CRA Costing	Priority Transformation Distance Costs
USPS-T-17	Bradley	Costing	CRA Costing	Window Costing
USPS-T-18	Pifer	Costing	Incremental Costs	Incremental Cost Estimates for Base Year 2005 and Test Year 2008
USPS-T-19	Stevens	Costing	Incremental Costs	Rural Carrier Costs
USPS-T-20	Miller	Costing	Special Cost Studies	Flats
USPS-T-21	Miller	Costing	Special Cost Studies	Parcels
USPS-T-22	Abdirahman	Costing	Special Cost Studies	Letter/Card model, BRM Fees
USPS-T-23	Page	Costing	Special Cost Studies	CONFIRM, Final adjustments, Caller Service, Certified Mail, Del. Con., Other Services
USPS-T-24	Nieto	Costing	Special Cost Studies	Window Service Field Study
USPS-T-25	Mayes	Costing	Special Cost Studies	Dropship
USPS-T-26	Cutting	Costing	Special Cost Studies	UAA Study, ACS Cost Support
USPS-T-27	Talmo	Costing	Special Cost Studies	Window Service Cost by Shape, ECR Cost by Shape and Rate Category, Other Costs
USPS-T-28	Loetscher	Costing	Special Cost Studies	Standard Mail Volumes by Shape and Ounce Increment, Mail Characteristics Studies
USPS-T-29	Schroeder	Costing	Special Cost Studies	Priority Mail Weight-Cube Study
USPS-T-30	Kelley	Costing	Special Cost Studies	Delivery Costs by Shape
USPS-T-31	O'Hara	Pricing	Rate Policy	Rate Policy
USPS-T-32	Taufique	Pricing	Rate Design	First-Class Mail Rate Design
USPS-T-33	Scherer	Pricing	Rate Design	Priority Mail Rate Design
USPS-T-34	Berkeley	Pricing	Rate Design	Express Mail Rate Design
USPS-T-35	Tang	Pricing	Rate Design	Periodicals Rate Design
USPS-T-36	Kiefer	Pricing	Rate Design	Standard Mail Rate Design
USPS-T-37	Kiefer	Pricing	Rate Design	Parcel Post Rate Design
USPS-T-38	Yeh	Pricing	Rate Design	Bound Printed Matter, Media Mail, Library Mail Rate Design
USPS-T-39	Berkeley	Pricing	Rate Design	Special Services: Business Reply Mail, Merchandise Return Service, other services
USPS-T-40	Mitchum	Pricing	Rate Design	Special Services: Address Correction Service, Mailing List Services, other services
USPS-T-41	Kaneer	Pricing	Rate Design	Post Office Boxes
USPS-T-42	McCrery	Operations	Operations	Operations
USPS-T-43	Hintenach	Operations	Retail Operations	Retail Operations
USPS-T-44	Coombs	Operations	Delivery Operations	Delivery Operations

Table No. 4
QUICK REFERENCE GUIDE
to
Testimony by Major Function

<u>Functional Area</u>	<u>Testimony#</u>	<u>Witness</u>	<u>Subfunctional Area</u>	<u>Specific Functional Area</u>
Data Systems	USPS-T-1	Czigler	On-going Data Collection System	In-Office Cost System (IOCS)
Data Systems	USPS-T-2	Hunter III	On-going Data Collection System	Transportation Cost System (TRACS)
Data Systems	USPS-T-3	Pafford	On-going Data Collection System	Revenue, Pieces & Weight (RPW) and ODIS
Data Systems	USPS-T-4	Harahush	On-going Data Collection System	City Carrier Cost Systems (CCS)
Data Systems	USPS-T-5	Riddle	On-going Data Collection System	Rural Carrier Cost Systems (CCS)
Costing	USPS-T-9	Milanovic	CRA Costing	Base Year Costs
Costing	USPS-T-10	Waterbury	Rollforward Model	Estimates of Future Costs
Costing	USPS-T-11	Van-Ty-Smith	CRA Costing	Base Year Mail Processing Costs by Cost Pools
Costing	USPS-T-12	Bozzo	CRA Costing	Base Year Mail Processing Econometric Study
Costing	USPS-T-13	Smith	CRA Costing	Equipment and Facility Costs, Piggyback Factors, Mail Processing Cost by Shape & Pool
Costing	USPS-T-14	Bradley	CRA Costing	City Carrier Street Time Econometric Study
Costing	USPS-T-15	Kelley	CRA Costing	Transportation Costs
Costing	USPS-T-16	Nash	CRA Costing	Priority Transformation Distance Costs
Costing	USPS-T-17	Bradley	CRA Costing	Window Costing
Costing	USPS-T-18	Pifer	Incremental Costs	Incremental Cost Estimates for Base Year 2005 and Test Year 2008
Costing	USPS-T-19	Stevens	Incremental Costs	Rural Carrier Costs
Costing	USPS-T-46	Bozzo	IOCS Redesign	IOCS Redesign
Costing	USPS-T-20	Miller	Special Cost Studies	Flats
Costing	USPS-T-21	Miller	Special Cost Studies	Parcels
Costing	USPS-T-22	Abdirahman	Special Cost Studies	Letter/Card model, BRM Fees
Costing	USPS-T-23	Page	Special Cost Studies	CONFIRM, Final adjustments, Caller Service, Certified Mail, Del. Con., Other Services
Costing	USPS-T-24	Nieto	Special Cost Studies	Window Service Field Study
Costing	USPS-T-25	Mayes	Special Cost Studies	Dropship
Costing	USPS-T-26	Cutting	Special Cost Studies	UAA Study, ACS Cost Support
Costing	USPS-T-27	Talmo	Special Cost Studies	Window Service Cost by Shape, ECR Cost by Shape and Rate Category, Other Costs
Costing	USPS-T-28	Loetscher	Special Cost Studies	Standard Mail Volumes by Shape and Ounce Increment, Mail Characteristics Studies
Costing	USPS-T-29	Schroeder	Special Cost Studies	Priority Mail Weight-Cube Study
Costing	USPS-T-30	Kelley	Special Cost Studies	Delivery Costs by Shape
Forecasting	USPS-T-7	Thress	Volume Forecasting	Volume Forecasting
Forecasting	USPS-T-8	Bernstein	Volume Forecasting	Volume Forecasting
Operations	USPS-T-42	McCrery	Operations	Operations
Operations	USPS-T-43	Hintenach	Retail Operations	Retail Operations
Operations	USPS-T-44	Coombs	Delivery Operations	Delivery Operations
Operations	USPS-T-45	Pajunas	Transportation Operations	Transportation Operations
Pricing	USPS-T-31	O'Hara	Rate Policy	Rate Policy
Pricing	USPS-T-32	Taufique	Rate Design	First-Class Mail Rate Design
Pricing	USPS-T-33	Scherer	Rate Design	Priority Mail Rate Design

Table No. 5
QUICK REFERENCE GUIDE
to
Methodological Changes

<u>Functional Area</u>	<u>Testimony#</u>	<u>Witness</u>	<u>Subfunctional Area</u>	<u>Methodological Changes</u>
Data Systems	USPS-T-1	Czigler	On-going Data Collection System	No
Data Systems	USPS-T-2	Hunter III	On-going Data Collection System	No
Data Systems	USPS-T-3	Pafford	On-going Data Collection System	No
Data Systems	USPS-T-4	Harahush	On-going Data Collection System	No
Data Systems	USPS-T-5	Riddle	On-going Data Collection System	No
Costing	USPS-T-9	Milanovic	CRA Costing	Yes
Costing	USPS-T-10	Waterbury	Rollforward Model	No
Costing	USPS-T-11	Van-Ty-Smith	CRA Costing	No
Costing	USPS-T-12	Bozzo	CRA Costing	Yes
Costing	USPS-T-13	Smith	CRA Costing	Yes
Costing	USPS-T-14	Bradley	CRA Costing	No
Costing	USPS-T-15	Kelley	CRA Costing	No
Costing	USPS-T-16	Nash	CRA Costing	Yes
Costing	USPS-T-17	Bradley	CRA Costing	Yes
Costing	USPS-T-18	Pifer	Incremental Costs	No
Costing	USPS-T-19	Stevens	Incremental Costs	No
Costing	USPS-T-20	Miller	Special Cost Studies	Yes
Costing	USPS-T-21	Miller	Special Cost Studies	Yes
Costing	USPS-T-22	Abdirahman	Special Cost Studies	Yes
Costing	USPS-T-23	Page	Special Cost Studies	No
Costing	USPS-T-24	Nieto	Special Cost Studies	Yes
Costing	USPS-T-25	Mayes	Special Cost Studies	Yes
Costing	USPS-T-26	Cutting	Special Cost Studies	Yes
Costing	USPS-T-27	Talmo	Special Cost Studies	No
Costing	USPS-T-28	Loetscher	Special Cost Studies	Yes
Costing	USPS-T-29	Schroeder	Special Cost Studies	Yes
Costing	USPS-T-30	Kelley	Special Cost Studies	No
Costing	USPS-T-46	Bozzo	IOCS Redesign	No
Forecasting	USPS-T-7	Thress	Volume Forecasting	No
Forecasting	USPS-T-8	Bernstein	Volume Forecasting	No
Operations	USPS-T-42	McCrery	Operations	No
Operations	USPS-T-43	Hintenach	Retail Operations	No
Operations	USPS-T-44	Coombs	Delivery Operations	No
Operations	USPS-T-45	Pajunas	Transportation Operations	No
Pricing	USPS-T-31	O'Hara	Rate Policy	No

Table No. 6
R2006-1 USPS Library References

Item	Level	Title	Primary Witness	Testimony #	Functional Area
USPS-LR-L-1	1	Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2005			Costing
USPS-LR-L-2	1	Cost and Revenue Analysis, Fiscal Year 2005			Costing
USPS-LR-L-3	1	Cost Segments and Components Report, Fiscal Year 2005			Costing
USPS-LR-L-4	2	Base Year 2005 CRA Model, Data Files, and Reports	Milanovic	USPS-T-9	Costing
USPS-LR-L-5	2	Witness Milanovic's A and B Workpapers and Exhibits A, B, and C (CD-ROM)	Milanovic	USPS-T-9	Costing
USPS-LR-L-6	2	Roll Forward Model and Input Data Files	Waterbury	USPS-T-10	Roll forward
USPS-LR-L-7	2	Roll Forward Workpapers (CD-ROM)	Waterbury	USPS-T-10	Roll forward
USPS-LR-L-8	2	Witness Waterbury's Worksheets for Exhibits and Appendices (CD-ROM)	Waterbury	USPS-T-10	Roll forward
USPS-LR-L-9	1	In-Office Cost System (IOCS) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-10	1	IOCS-CODES Computer System Documentation and Source Code (w/CD-ROM)			Data Systems
USPS-LR-L-11	1	City Carrier Cost System (CCCS) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-12	1	Rural Carrier Cost System (RCCS) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-13	1	CCCS-RCCS CODES Computer System Documentation and Source Code (W/CD-ROM)			Data Systems
USPS-LR-L-14	1	Origin-Destination Information System and Revenue, Pieces and Weight (ODIS-RPW) Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-15	1	Jointly Scheduled Tests (1-CD)			Data Systems
USPS-LR-L-16	1	Bulk Mail Revenue, Pieces and Weight System (BRPW) Computer System Documentation (1-CD)			Data Systems
USPS-LR-L-17	1	Bulk Mail Revenue, Pieces and Weight System (BRPW) Statistical System Documentation (1-CD)			Data Systems
USPS-LR-L-18	1	Revenue, Pieces, and Weight Adjustment System (ARPW) Documentation and Source Code (1-CD)			Data Systems
USPS-LR-L-19	1	ODIS/RPW-CODES, Computer System Documentation and Source Code (1-CD)			Data Systems
USPS-LR-L-20	1	Revenue Pieces and Weight (RPW) Summary Report, FY, 2005 (1-CD)			Data Systems
USPS-LR-L-21	1	Handbook F-45, Data Collection User's Guide for In-Office Cost System, October 2004 (1-CD)			Data Systems
USPS-LR-L-22	2	APC Cost Reduction Distribution Key and Volume Variability	Smith	USPS-T-13	Data Systems
USPS-LR-L-23	1	Supplemental Statistical Programs Policies & Data Collection Instructions (1-CD)			Data Systems
USPS-LR-L-24	1	CRA Model Excel/Visual Basic Documentation			Roll forward
USPS-LR-L-25	1	Roll Forward Model Excel/Visual Basic Documentation			Roll forward
USPS-LR-L-26	1	PostalOne Computer System Documentation (1 CD)			
USPS-LR-L-27	1	TRACS Commercial Air Subsystem Statistical and Computer Documentation (Source Code and Data on CD Rom)			Data Systems
USPS-LR-L-28	1	TRACS-CODES Computer System Documentation and Source Code (w/CD-ROM)			Data Systems
USPS-LR-L-29	1	TRACS Network Air Subsystem Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-30	1	TRACS Highway Subsystem Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-31	1	TRACS Freight Rail Statistical and Computer Documentation (Source Code and Data on CD-ROM)			Data Systems
USPS-LR-L-32	2	First-Class Mail Characteristics Study	Loetscher	USPS-T-28	Costing
USPS-LR-L-33	2	Non-ECR Standard Mail Non-Letter Redefinition Study	Loetscher	USPS-T-28	Costing
USPS-LR-L-34	2	Business Reply Mail Practices Study	Loetscher	USPS-T-28	Costing
USPS-LR-L-35	2	FedEx Day Turn Variability	Kelley	USPS-T-15	Costing
USPS-LR-L-36	2	Standard Mail Rate Design Spreadsheets	Kiefer	USPS-T-36	Pricing
USPS-LR-L-37	2	Estimation of Priority Mail Weight and Average Haul by Zone	Nash	USPS-T-16	Costing
USPS-LR-L-38	2	Interconnectivity of Long Haul Priority Mail with HCR Transportation	Nash	USPS-T-16	Costing
USPS-LR-L-39	2	Calculation of Distance-related Transportation Costs	Kelley	USPS-T-15	Costing
USPS-LR-L-40	2	Calculation of Alaska Highway Costs	Kelley	USPS-T-15	Costing

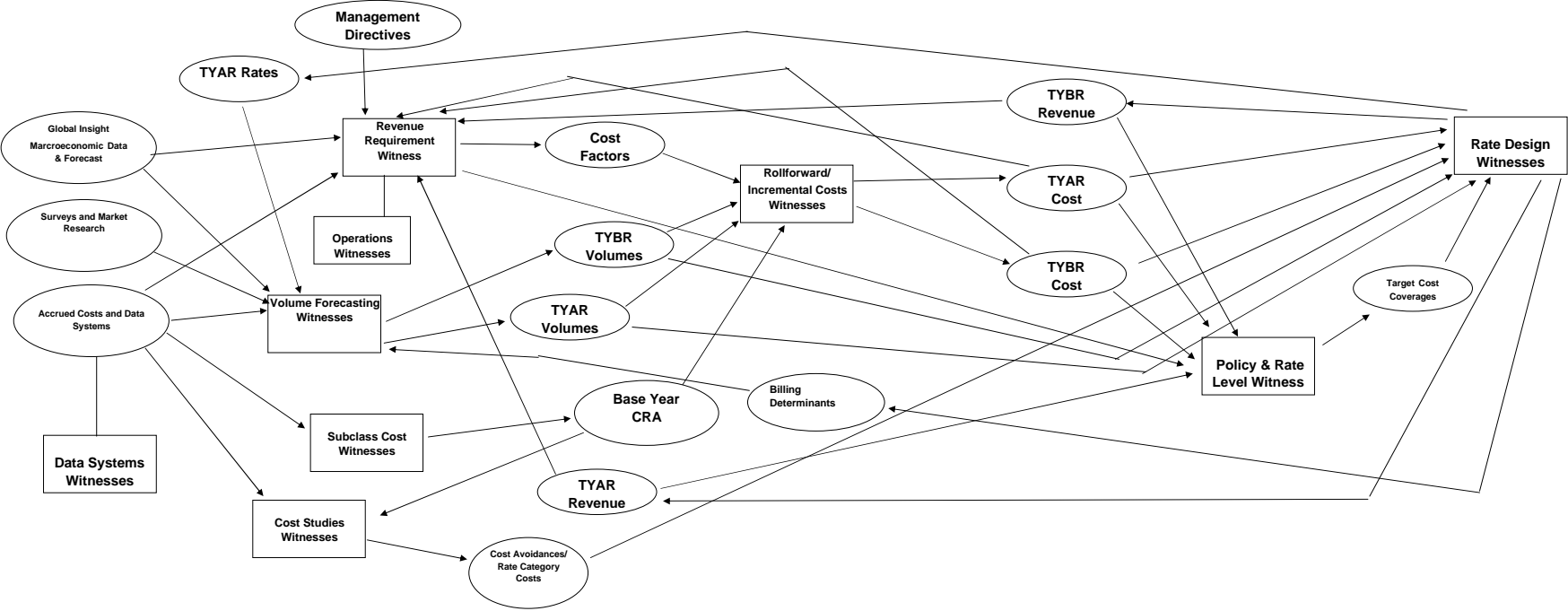
Table No. 6
R2006-1 USPS Library References

Item	Level	Title	Primary Witness	Testimony #	Functional Area
USPS-LR-L-41	2	Bound Printed Matter, Media Mail and Library Mail Rate Design Spreadsheets	Yeh	USPS-T-38	Pricing
USPS-LR-L-42	3	Changes to All National Agreements Since April 8, 2005 – 16 Changes Via MOU to Agreement With APWU, AFL-CIO, All Dated September 12, 2005			
USPS-LR-L-43	2	Flats Mail Processing Cost Models	Miller	USPS-T-20	Special Cost Studies
USPS-LR-L-44	2	Flats Coverage Factors	Miller	USPS-T-20	Special Cost Studies
USPS-LR-L-45	2	Standard Mail Hybrids and Parcels Cost Estimates	Miller	USPS-T-20	Special Cost Studies
USPS-LR-L-46	2	Parcels Cost Models	Miller	USPS-T-21	Special Cost Studies
USPS-LR-L-47	2	Parcel Post Volume, Cubic Feet and Weight Data	Miller	USPS-T-21	Special Cost Studies
USPS-LR-L-48	2	Test Year Letter/Card Processing Cost Models (First-Class, Standard, and Nonmachineable Surcharge)	Abdirahman	USPS-T-22	Special Cost Studies
USPS-LR-L-49	2	Explanation of Cost Reductions, Other Programs, and Corporate-Wide Activities	Loutsch, McCreary	USPS-T-6, 42	Revenue Requirement
USPS-LR-L-50	2	Rollforward Expense Factors	Loutsch	USPS-T-6	Revenue Requirement
USPS-LR-L-51	2	Premium Forwarding Service Volume & Zone Distribution	Kiefer	USPS-T-37	Pricing
USPS-LR-L-52	2	Development of Piggyback and Related Factors	Smith	USPS-T-13	Costing
USPS-LR-L-53	2	Mail Processing Unit Costs by Shape	Smith	USPS-T-13	Costing
USPS-LR-L-54	2	Equipment and Facility Related Costs	Smith	USPS-T-13	Costing
USPS-LR-L-55	2	MODS-Based Costing, Description of Spreadsheets and SAS Programs	Van-Ty-Smith	USPS-T-11	Costing
USPS-LR-L-56	2	Programs and Electronic Input Data for Mail Processing Volume Variability Analysis	Bozzo	USPS-T-12	Costing
USPS-LR-L-57	2	FY 2005 Cost Segments and Components Reconciliation to Financial Statements and Account Reallocations	Milanovic	USPS-T-9	Costing
USPS-LR-L-58	2	Estimated Functional Accrued Costs by Subfunctions and Cost Categories	Waterbury	USPS-T-10	Costing
USPS-LR-L-59	2	Supporting Materials for Final Adjustments, Express Mail Differentials, Pickup On-Demand® Costs, and Special Service Costs	Page	USPS-T-23	Special Cost Studies
USPS-LR-L-60	3	Registered Mail Task Force Summary			
USPS-LR-L-61	2	Christensen Associates Study of Undeliverable-As-Addressed Mail and Personal-Knowledge-Required Mail, FY 2004	Cutting	USPS-T-26	Special Cost Studies
USPS-LR-L-62	2	Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail, TY 2008	Cutting	USPS-T-26	Special Cost Studies
USPS-LR-L-63	2	Data Used in Demand Analysis and Volume Forecasting	Thress	USPS-T-7	Forecasting
USPS-LR-L-64	2	Demand Analysis Econometric Materials	Thress	USPS-T-7	Forecasting
USPS-LR-L-65	2	Demand Analysis Econometric Choice Trail	Thress	USPS-T-7	Forecasting
USPS-LR-L-66	2	Volume Forecasting Materials	Thress	USPS-T-7	Forecasting
USPS-LR-L-67	2	Development of Delivery Costs by Rate Category for First-Class and Standard Mail	Kelley	USPS-T-30	Special Cost Studies
USPS-LR-L-68	2	Allocation of Volumes in Standard Mail Forecast Categories to New Rate Categories	Kiefer	USPS-T-36	Pricing
USPS-LR-L-69	2	Supporting Materials for Cost of Business Reply Mail	Abdirahman	USPS-T-22	Special Cost Studies
USPS-LR-L-70	2	Rural Mail Count Data	Stevens	USPS-T-19	Costing
USPS-LR-L-71	2	Priority Mail Size Distribution Study	Schroeder	USPS-T-29	Special Cost Studies
USPS-LR-L-72	2	Supporting Materials Relating to Incremental Cost Model	Pifer	USPS-T-18	Costing
USPS-LR-L-73	3	Domestic Mail Rate History			
USPS-LR-L-74	3	Domestic Mail Revenue and Volume History			
USPS-LR-L-75	3	Special Services Revenue and Volume History			
USPS-LR-L-76	3	Special Services Fee History			
USPS-LR-L-77	1	FY 2005 Billing Determinants			
USPS-LR-L-78	2	The 2005 Transaction Time Study	Nieto	USPS-T-24	Special Cost Studies
USPS-LR-L-79	2	Input Programs And Data That Produce The Window Service Analysis Data Set	Nieto	USPS-T-24	Special Cost Studies
USPS-LR-L-80	2	Computer Programs And Data Used To Estimate Econometric Models And Calculate Window Service Supply Side Variabilities	Bradley	USPS-T-17	Costing
USPS-LR-L-81	2	Calculation Of Certain Average Window Service Transaction Times	Bradley	USPS-T-17	Costing
USPS-LR-L-82	2	Parcel Post Rate Design Spreadsheets	Kiefer	USPS-T-36	Pricing
USPS-LR-L-83	2	Window Service Costs by Shape	Talmo	USPS-T-27	Special Cost Studies
USPS-LR-L-84	2	ECR Mail Processing Saturation Savings	Talmo	USPS-T-27	Special Cost Studies
USPS-LR-L-85	2	Periodicals Container Cost Analysis	Talmo	USPS-T-27	Special Cost Studies

Table No. 6
R2006-1 USPS Library References

Item	Level	Title	Primary Witness	Testimony #	Functional Area
USPS-LR-L-86	2	Bound Printed Matter Mail Processing Costs and Parcel Post Window Service Costs	Talmo	USPS-T-27	Special Cost Studies
USPS-LR-L-87	2	Revenue, Pieces, and Weight Estimates by Shape, Weight Increment, and Indicia	Loetscher	USPS-T-28	Special Cost Studies
USPS-LR-L-88	2	Dropship Cost Avoidances for Standard Mail and Periodicals	Mayes	USPS-T-25	Special Cost Studies
USPS-LR-L-89	2	Parcel Post and Bound Printed Matter Transportation Costs, and Development of Costs for Bulk Parcel Return Service	Mayes	USPS-T-25	Special Cost Studies
USPS-LR-L-90	2	Description and Program Documentation of Cube-Weight Relationship Estimation	Mayes	USPS-T-25	Special Cost Studies
USPS-LR-L-91	2	Periodicals Mail Characteristics Study	Loetscher	USPS-T-28	Special Cost Studies
USPS-LR-L-92	2	Standard Mail Characteristics Study	Loetscher	USPS-T-28	Special Cost Studies
USPS-LR-L-93	5	PRC Version/Base Year 2005 CRA Model, Data Files, and Reports (CD-ROM)			
USPS-LR-L-94	5	PRC Version/Base Year 2005 CRA Model Reports			
USPS-LR-L-95	5	PRC Version/Roll Forward Model and Input Data Files			
USPS-LR-L-96	5	PRC Version/Roll Forward Output (CD-ROM)			
USPS-LR-L-97	5	PRC Version/Rollforward Expense Factors			
USPS-LR-L-98	5	PRC Version/Development of Piggyback and Related Factors			
USPS-LR-L-99	5	PRC Version/Mail Processing Unit Costs by Shape			
USPS-LR-L-100	5	PRC Version/MODS-Based Costing, Description of Spreadsheets and SAS Programs			
USPS-LR-L-101	5	PRC Version/Development of Delivery Costs by Rate Category for First-Class and Standard Mail			
USPS-LR-L-102	5	PRC Version/Flats Mail Processing Cost Models			
USPS-LR-L-103	5	PRC Version/Parcels Cost Models			
USPS-LR-L-104	5	PRC Version/ Supporting Materials for Cost of Business Reply Mail			
USPS-LR-L-105	2	Materials Supporting USPS-T-8	Bernstein	USPS-T-8	Forecasting
USPS-LR-L-106	5	PRC Version/Window Service Costs by Shape			
USPS-LR-L-107	5	PRC Version/ECR Mail Processing Saturation Savings			
USPS-LR-L-108	5	PRC Version/Periodicals Container Cost Analysis			
USPS-LR-L-109	5	PRC Version/Bound Printed Matter Mail Processing Costs and Parcel Post Window Service Costs			
USPS-LR-L-110	5	PRC Version/Test Year Letter/Card Processing Cost Models (First-Class Mail and Standard Mail)			
USPS-LR-L-111	5	PRC Version/Final Adjustments and Special Service Costs			
USPS-LR-L-112	5	PRC Version/Dropship Cost Avoidances for Standard Mail and Periodicals			
USPS-LR-L-113	5	PRC Version/Parcel Post and Bound Printed Matter Transportation Costs, and Development of Costs for Bulk Parcel Return Service			
USPS-LR-L-114	5	PRC Version/Mark-Up Indices			
USPS-LR-L-115	5	PRC Version/Standard Mail Hybrids and Parcels Cost Estimates			
USPS-LR-L-116	2	Undeliverable-As-Addressed Mail, Hypothetical Cost Estimation of a Fully-Deployed PARS Environment Applied to FY 2004 Volumes	Cutting	USPS-T-26	Special Cost Studies
USPS-LR-L-117	5	PRC Version/Volumes, Characteristics, and Costs of Processing Undeliverable-As-Addressed Mail, TY 2008			
USPS-LR-L-118	5	PRC Version/Calculation of Distance-related Transportation Costs			
USPS-LR-L-119	2	Financial Impacts of the Priority Mail Flat-Rate Box, Fiscal Year 2005	Scherer	USPS-T-33	Pricing

FUNCTIONAL DATA FLOWS



Parse Out of Rate Case Data

INPUTS

Data Collections Results
Data Collection Statistical Pgms Results
TRACS Data Collection Software Results
Cost Systems Data Collection Results
File Containing Collection of Frame Units
CAG A-J Registered Service Data
SIRV/O & SIRV/I International Data
File Containing Collection of Test Data
Trial Balance Data
Address Correction Data
Files from Revenue & Volume Reporting
Supplemental Postal Statements
DRPW Sampling
PERMIT System Extract Summary Data
RPW Adjustment System Data
AIC Sub-Account Revenue Totals
CODES Software Data Results

Data Systems Testimony

Witnesses:

Czigler - In-Office Cost System
Hunter- Transportation Cost System
Pafford - Revenue, Pieces, & Weight/ODIS Systems
Harahush - Carrier Cost System, City
Riddle - Carrier Cost System, Rural

OUTPUTS

IOCS Reports
RPW/ODIS Reports
TRACS Files
City Carrier System Files
Rural Carrier System Files

Parse Out of Rate Case Data

INPUTS

In-Office Cost System Data
Carrier Cost Systems Data
TRACS Data
RPW Extract File
Revenue, Pieces, & Weight and ODIS Reports
Revenue and Expenses by Account
Payroll Data
Maintenance Cost Data
Equipment Deployment Data
Facilities Space Growth Data
CNET Premium Data
Transportation Network Premium Data
Cubic Foot & Cubic Foot Mile Data
MODS Mail Processing Data
Rural Mail Count Data

Base Year Testimony

Witnesses:

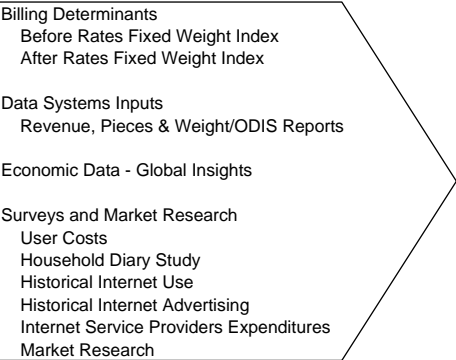
Milanovic - Base Year CRA Costs
Van-Ty-Smith - BY Mail Processing Costs
Smith - BY Facility, Equipment, Piggyback Costs
Kelley - BY Transportation Costs
Bozzo - BY Mail Processing Labor Cost
Bradley - Carriers, Transportation, Window Service
Stevens - BY Rural Carrier Costs
Nash - BY Priority Transportation Distance
Pifer - Incremental Costs

OUTPUTS

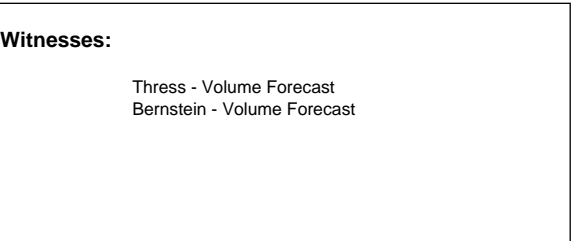
Base Year CRA Costs
Incremental Costs
Final Adjustments

Parse Out of Rate Case Data

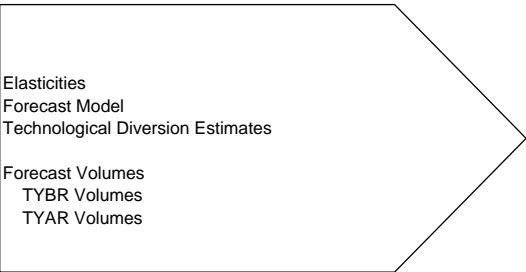
INPUTS



VOLUME TESTIMONY



OUTPUTS



Parse Out of Rate Case Data

INPUTS

TYBR Mail Volume Forecast
TYAR Mail Volume Forecast
Rollforward Model Factors:
 Cost Levels
 NonVolume Workload
 Additional Workday
 Cost Reductions & Other Programs
 Workyear Mix Adjustments
 Final Adjustments
Base Year Costs
Contingency Factor
FedEx & Amtrak Distrib. Keys
Rollforward (only) Distribution Keys
Revenue Requirement Testimony
FedEx, Amtrak, & Alaska Air Cost
Interest on Debt
Capital, Space, & Rental Value Inputs

Roll Forward Testimony

Witnesses:

Waterbury - Rollforward

OUTPUTS

Rollforward Model Workpapers, Reports, & Files for:
 Test Year Before Rates Costs
 Test Year After Rates Costs
 Intermediate Years Costs

Parse Out of Rate Case Data

INPUTS

Management Directives
Contingency Assumption
Annual Change Assumption for Health Premiums
National Unions Agreements Provisions
Non-Volume Workload Assumptions
Capital Assumptions
Workyear Assumptions
Workers' Compensation Assumptions
Productivity Assumptions
Cost Reductions & Other Pgms Assumptions
Before Rates Roll Forward Costs
After Rates Roll Forward Costs
Before Rates Volume and Revenue Forecasts
After Rates Volume and Revenue Forecasts
Global Insight Data and Forecasts
Recovery of Prior Years' Losses Calculation
Current & Historical Financial and Operating Results
Final Adjustments

Revenue Requirement Testimony

Witnesses:

Loutsch - Revenue Requirement

OUTPUTS

Revenue Requirement Amount - "Deficiency"
Cost Factors:
cost level
volume related workload
nonvolume related workload
additional workday effect
cost reduction programs
other programs
workyear mix adjustments
final adjustments

Parse Out of Rate Case Data

INPUTS

Operations Studies & Data
CRA Cost Models Results
Mail Characteristics Studies
Cost Surveys Results
Mail Volume and Revenue History
Mail Flow Density Studies
Roll Forward Costs & Expense Factors
Piggyback and Related Factors
Cost Reductions & Other Pgms Implementation Plans
Cost and Volume by Shape Studies
Volume Variability Analysis
Billing Determinants
Previous Cost Studies
Final Adjustments
RPW and Related Reports
Base Year Costs
MODS Based Costs
Wage Rates Data
Transportation Costs Data
IOCS Data
CCS Data
Labor and Activity Time Studies and Research
Volume Forecast

Special Cost Studies Testimony

Witnesses:

Miller - Flats and Parcels Cost Studies
Abdirahman - Letters/Cards Model and BRM Cost Studies
Page - Final Adjustments and other Cost Studies
Nieto - Window Service Field Study
Mayes - Destination Entry Cost Studies
Cutting - UAA and ACS Cost Studies
Talgo - Window Service Cost by Shape, Other Cost Studies
Loetscher- Mail Characteristics Studies, Other Cost Studies
Schroeder - Priority Mail Weight-Cube Study
Kelley - Delivery Costs by Shape

OUTPUTS

Final Adjustments to Roll Forward
Incremental Costs Support & Refinement Data
Transportation Cost Support & Refinement Data
Costs Estimates Supporting Specific Elements of Rate Design
Mail Processing Cost Support & Refinement Data
Carrier Cost Support & Refinement Data
Cost Avoidance and Cost Savings Models

Parse Out of Rate Case Data

INPUTS

Roll Forward TYBR Volume Variable Costs
Roll Forward TYAR Volume Variable Costs
Revenue Requirement
Incremental Costs
TYBR Volume Forecast
TYAR Volume Forecast
Billing Determinants
Cost Coverage Target Requirements
RPW Reports
Special Cost Studies
Contingency Factor
Transportation Costs
Other Data as Needed:
 Mail Operations Data
 Results from Special Surveys and Mkt Research
 Additional Ounce Study
 Fee Assumptions
 Special Weight Studies
 Piggyback Factors
 Volume Shares by Mail Characteristics
 Facility Space Related Costs
 Economic Data from Global Insights

Pricing Testimony

Witnesses:

O'Hara - Rate Policy and Rate Level
Taufique - First-Class Mail Rate Design
Scherer - Priority Mail Rate Design
Berkeley - Express Mail Rate Design, Special Services
Tang - Periodicals Rate Design
Kiefer - Standard Mail, Parcel Post Rate Design
Yeh - BPM, Media Mail, Library Mail Rate Design
Mitchum - Special Services Fees
Kaneer - Post Office Box Fees

OUTPUTS

Rate Levels
 Proposed Cost Coverages by Mail Class

Rate Design
 Proposed Mail Class Rates
 Before & After Rates Revenue Forecasts by Class
 Billing Determinants
 Proposed Fees
 Proposed Classifications
 Proposed Cost Coverages by Mail Class